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Prospects for sustained development of the Palestinian economy in the West Bank and the Gaza Strip

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Prospects for sustained development of the Palestinian economy in the West Bank and the Gaza Strip

Report of a Meeting of Experts, convened by the UNCTAD secretariat, 19-22 May 1992 at the Palais des Nations, Geneva

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CONTENTS

		Paragraphs
INTRODUCTION		1 - 5
	A. Background	1 - 2
	B. Date and venue	3
	C. Participation	4 - 5
I.	OPENING OF THE MEETING	6 - 12
II.	ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK	13 - 14
	A. Agenda	13
	B. Organization of work	14
III.	ASSESSMENT OF MAIN ECONOMIC AND SOCIAL PROBLEMS AND NEEDS	15 - 176
	A. Main aggregate developments	15 - 24
	B. Agriculture	25 - 41
	C. Manufacturing	42 - 54
	D. Mining and quarrying	55 - 58
	E. Services	59 - 64
	F. Merchandise trade	65 - 72
	G. Public finance	73 - 76
	H. International assistance	77 - 89
	I. Natural resources: land, Israeli settlements, water resources	90 - 97
	J. Public utilities (municipal services)	98 - 110
	K. Construction and housing	111 - 125
	L. Transport and communications	126 - 132
	M. Energy	133 - 138
	N. Population	139 - 143
	O. Labour and employment	144 - 149
	P. Women and development	150 - 154
	Q. Public health services	155 - 162
	R. Education	163 - 170
	S. Public administration	171 - 176
IV.	IDENTIFICATION OF NEEDS AND SPECIFIC MEASURES FOR IMMEDIATE ACTION	177 - 199
	A. Economic sectors and issues	178 - 184
	1. Legal framework	179
	2. Institutional framework	180
	3. Marketing	181
	4. Employment	182
	5. Financing	183
	6. Technical assistance	184

CONTENTS (continued)

	Paragraphs
B. Infrastructure and natural resources	185 - 191
1. Construction and housing	187
2. Water and land resources	188
3. Transport and communications	189
4. Public utilities	190
5. Public administration (executive branch)	191
C. Human resources and social services	192 - 199
1. Population and demographic situation	193
2. Manpower	194
3. Women and development	195
4. Public health services	196 - 198
5. Education	199
V. PROSPECTS FOR SUSTAINED DEVELOPMENT IN THE WEST BANK AND THE GAZA STRIP	200 - 219
A. Summary of the quantitative framework	201 - 212
1. The different constraints on the choice of technique	201 - 202
2. Structure of the framework	203
3. The baseline scenario and variant	204 - 206
4. Alternative scenarios	207 - 212
B. Discussion	213 - 218
C. Conclusions	219
VI. ELABORATION OF OUTLINES FOR PARTS TWO AND THREE OF SECTORAL STUDIES	220
VII. ADOPTION OF TEXTS	221
VIII. CLOSURE OF THE SESSION	222 - 223
Annex I. List of participants	
Annex II. List of field studies commissioned by the UNCTAD secretariat within the context of the project on prospects for sustained development in the West Bank and the Gaza Strip.	

INTRODUCTION

A. Background

1. Pursuant to resolution 239 (XXIII) of the Trade and Development Board and resolution 44/174 of the United Nations General Assembly and as part of its 1990-1991 work programme, the secretariat of UNCTAD embarked upon an intersectoral project aimed at assessing the present economic and social situation of the Palestinian people in the West Bank and the Gaza Strip, investigating prospects for their sustained development and providing strategy and policy guidelines for action. This report summarizes the deliberations of a meeting of experts convened upon the completion of the first stage of the project and prior to the commencement of its second and third stages. 1/

2. The main objectives of the meeting were to: (a) discuss a summary assessment of sectoral developments in the West Bank and the Gaza Strip during the past 25 years of occupation and adopt for immediate action the recommendations emerging from the findings of part one of the in-depth field studies of various economic and social sectors in the occupied territory; and (b) examine options and adopt relevant approaches for guiding the sectoral examination under parts two and three of the in-depth field studies.

B. Date and venue

3. The meeting was held from 19 to 22 May 1992 at the Palais des Nations, Geneva.

C. Participation 2/

4. The meeting was attended by 20 Palestinian local experts and five international experts, as well as representatives of two Arab regional organizations, namely, the Arab Industrial Development and Mining Organization (AIDMO) and the League of Arab States (Directorate for Economic Affairs) and seven international organizations, namely, the United Nations Economic and Social Commission for Western Asia (ESCWA), the United Nations Centre for Human Settlements (UNCHS-HABITAT), the International Labour Organisation (ILO), the United Nations Development Programme (UNDP), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the World Health Organization (WHO). One expert representing Palestine also participated.

5. The meeting was chaired by the Chief of the Special Economic Unit (Palestinian people) at the UNCTAD secretariat; one co-chairman was designated from among the local experts. UNCTAD secretariat staff members also participated in servicing the meeting.

I. OPENING OF THE MEETING

6. Mr. Yves Berthelot, Deputy Secretary-General of UNCTAD, opened the meeting. He referred to the work of the UNCTAD secretariat on the economy of the occupied Palestinian territory. This work had been initiated as early as 1979 and had subsequently been intensified following the establishment in 1985 of the Special Economic Unit (Palestinian people). Since then, in

addition to annual reports submitted to the Trade and Development Board, a number of in-depth studies and other technical documents had been prepared on various aspects of the Palestinian economy in the occupied territory. In all these efforts, the UNCTAD secretariat had tried to go beyond merely analysing the performance of the Palestinian economy and identifying problem areas and needs; within its frame of reference, it had succeeded in translating some of the policy findings and recommendations into concrete projects aimed at rendering technical assistance to the Palestinian people.

7. He pointed out that in carrying out its mandate, the secretariat had developed an approach adapted to the needs and realities of a complex and difficult situation. The intersectoral project had enabled the disparate lines of research into the Palestinian economic and social situation, problems and needs to be connected within a systematic and integrated pattern of investigation. The findings were aimed at providing the basis for concerted action by the international community for the revival and sustained development of the Palestinian economy.

8. He emphasized that the outcome of the meeting, which had brought together expertise in the region as well as outside the occupied Palestinian territory, including regional and international organizations, would be an indispensable contribution to that objective. Indeed, the meeting and the next phase of the project had coincided with momentous developments concerning the region. The results of the efforts pursued within UNCTAD should also help enhance the discussions currently underway within the context of the Middle East peace negotiations.

9. Mr. Nabil Ramlawi, Director and Permanent Observer of Palestine to the United Nations and international organizations in Geneva, pointed out that Palestine had followed with keen interest the work of the Special Economic Unit since its inception in 1985. The scope of its efforts had evolved, reflecting a greater degree of comprehensiveness aimed at assisting the Palestinian people in their efforts to minimize the adverse effects of Israeli occupation. These efforts were also directed to the international community, with a view to increasing its support to the Palestinian people, thus enabling them to achieve their goal of an independent economy. Completion of the intersectoral project would mark a turning-point in the efforts to examine in a comprehensive manner the present economic situation in the occupied territory, the needs for its revival and prospects for sustained future development. The completion of the first phase of the project and the holding of the current meeting stood as encouraging steps in that direction.

10. He added, however, that occupation was incompatible with economic and social development. Only the termination of the Israeli occupation of the Palestinian territory and comprehensive efforts to correct the distortions and imbalances caused by the policies and practices of the occupation authorities could bring about the necessary internal changes in the Palestinian national economy leading it to the threshold of development. In that connection, he attached great importance to the present meeting and the results of its deliberations.

11. Mr. S. Kazemi, the Chief of the Special Economic Unit, elaborated on the objectives and scope of the intersectoral project which was conceived within

the frame of the 1990-1991 work programme of UNCTAD. The project was aimed at providing integrated guidelines for concerted action towards the revival and sustained development of the Palestinian economy in the West Bank and the Gaza Strip. As such, it comprised three main parts: (a) examination of the current economic and social situation in the occupied Palestinian territory and the requisite measures for its immediate revival; (b) investigation of potentials for its sustained development under different scenarios; and (c) strategies, policy options and measures. In this connection, 25 in-depth studies had been commissioned covering various socio-economic sectors and issues (these could be consulted for further details). 3/

12. He was pleased to note the virtual completion of the first part of the project, thus enabling the secretariat to convene this important meeting, the objectives of which were to reflect and adopt the main findings and recommendations for immediate action emerging from part one of the project and to examine the analyses of the scenarios on prospects for sustained development in the West Bank and the Gaza Strip, contained in the secretariat study on a quantitative framework. This would guide work on parts two and three of the in-depth sectoral studies. He concluded by stating that work had moved into a crucial phase which required even greater harmony of vision and intensified efforts by all concerned. The present meeting was aimed at achieving that objective and providing the guidelines necessary for the successful completion of the project.

II. ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

A. Agenda

13. The participants adopted the following agenda:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Assessment of economic and social needs in the West Bank and Gaza Strip and recommendations for immediate action
4. Prospects for sustained development in the West Bank and Gaza Strip
5. Elaboration of outlines for parts two and three of individual sectoral studies
6. Adoption of texts
7. Closure of the meeting

B. Organization of work

14. Following a general discussion of agenda items 3, 4 and 5 at the first two plenary meetings on 19 May 1992, three working groups were established to undertake an in-depth examination of these items and present

their findings to the final plenary for adoption. The three working groups held at least three meetings each, on 20 and 21 May 1992, covering a number of sectors/subsectors/issues as follows:

(a) Economic sectors: Aggregate economic performance; agriculture; international assistance; manufacturing industries; merchandise trade; mining and quarrying; money and banking; public finance; services; and tourism.

(b) Human resources and social development: Dynamics of social change; education; labour and human resources; population and demography; public health; social welfare services; socio-economic statistics; and, women and development.

(c) Infrastructure and natural resources: Construction and housing; energy; Israeli settlements; public administration; public utilities; water resources; and transport and communications.

Two plenary meetings were held on 22 May 1992 to discuss proposed texts covering discussions on agenda items 3, 4, and 5. At the fourth plenary meeting (on 22 May 1992) the experts adopted draft texts on these items.

III. ASSESSMENT OF MAIN ECONOMIC AND SOCIAL PROBLEMS AND NEEDS

A. Main aggregate developments

15. Deliberations on this item commenced with experts' presentations of their major findings under part one of the 25 individual studies covering the main economic and social sectors and issues. This part dealt with an assessment of developments during the past 25 years of occupation, and the identification of needs and recommendations on measures for immediate action aimed at improving the situation.

16. In general, it was noted that the Palestinian economy in the occupied West Bank and the Gaza Strip had witnessed significant structural changes during 25 years of occupation, reflecting the severe impact of Israeli occupation policies and practices. The traditional sectors of the economy had gradually lost their impetus. Much of the rise in income and consumption, realized since 1967, could be attributed to the influence of factors external to the domestic productive base of the Palestinian economy itself.

17. Prolonged occupation had brought to bear upon the Palestinian economy a host of pressures which had impeded its development process, resulting in a steady decline in the role of agriculture without providing any inducements, especially to the industrial sector. The effects of occupation and its related measures were manifested, inter alia, in: drastic reduction of agricultural employment opportunities; displacement of labour from traditional sectors into the more labour-intensive sectors of the Israeli economy; neglect of the needs of Palestinian productive sectors and their re-orientation towards serving Israeli production and consumption interests; and control of trade channels in a manner that ensured Israeli domination of Palestinian domestic and international trade. The effects were profoundly felt by the small, fragmented and unsophisticated Palestinian producers, who found themselves in competition with well-connected, highly capitalized,

technologically advanced and subsidized sectors of the Israeli economy, including most agricultural and numerous manufacturing branches involved in trade with the occupied territory.

18. The functioning of mechanisms which could help articulate interaction between the divergent forces at work in the local economy and the actual needs of the Palestinian people had been systematically eroded over 25 years of occupation. While power over economic management had been assumed by the Israeli occupation authorities, the concomitant responsibilities and obligations towards the occupied territory, in accordance with international conventions, had not been fulfilled. The exclusion of the Palestinian people from exercising authority over economic policy and holding responsibility for its management applied to a wide range of issues and activities. These included: licensing and regulation; agricultural and industrial production planning; international trade regimes and procedures; commercial and development finance facilities; monetary, fiscal and customs regulations; land and water use; mineral extraction; construction; public utilities; infrastructure; public services; and others.

19. As a result, there were no appropriate indigenous Palestinian institutions with authority to examine development prospects and needs or to influence the interplay of forces affecting economic development by identifying priorities, designing strategies and providing guidelines for policy measures aimed at supporting efforts and promoting entrepreneurial initiatives. Individual and institutional initiatives, often based on ad hoc assessments of the situation and motivated by various (sometimes conflicting) considerations, had been unable to make much headway. At the international level, bilateral and multilateral activities had run against a similar disjointed approach, with little coordination to ensure the effectiveness of their impact.

20. The economy that had thus emerged in the occupied territory faced a range of pressures and weaknesses and lacked the sense of purpose and direction that could be imparted by an active indigenous authority at central and local levels. While increases in production, per capita income, living standards and other growth indicators were at times discernible, these did not herald the emergence of a sound basis for structural transformation and sustained development of the Palestinian economy. In these circumstances, a stable and rational path for development and concomitant policies and measures could not emerge spontaneously.

21. Meanwhile, the sanctions imposed since late 1987 by the occupation authorities in the wake of the Palestinian uprising (intifada) had compounded the constraints on the Palestinian people and impeded their efforts to achieve self-reliance and safeguard their economic interest. Measures enacted by the occupation authorities in this context had touched every aspect of Palestinian economic activity, resulting in reduced investment, production, income and consumption in all areas. The 1988 decision by Jordan to "dismantle the legal and administrative links" with the West Bank, with a view to "enhancing the Palestinian national orientation", posed new challenges to the fragile economy of the occupied Palestinian territory, especially as regards institutional development, the financing of social service expenditures and the flow of Palestinian exports to traditional markets. The impact of the recent crisis

in the Middle East on the economy of the occupied territory had been especially pronounced, registering further deterioration in domestic productive capacity and sources of income, especially factor income, merchandise exports, and private and public transfers to the occupied territory.

22. Israeli economic policy in the occupied Palestinian territory had recently been reassessed. Since 1990, licensing policy was improved somewhat and a greater number of licenses for establishing new industrial enterprises were subsequently granted. Among other means to improve the economic situation was the announced intention to establish industrial zones in the West Bank and the Gaza Strip, introduce three-year tax exemptions for newly established Palestinian industries, and establish a more adequate infrastructure. Measures to encourage Palestinian capital to return to the territory were also announced. Entrepreneurs from abroad were promised to be provided with identity cards along with their families if they satisfied certain conditions. Foremost among these conditions was the ability to invest a prescribed sum of money in an employment-generating project within a specified period of time.

23. The participants noted, however, that such improvements in economic policy did not constitute a radical departure from the previous Israeli strategy of maintaining economic, political and social control over the occupied territory. The new approach was in line with the basic economic policy followed by Israel since 1967 which called for the maintenance of the established subcontracting relationship between the Palestinian market and the Israeli market under more flexible terms. The recent change had been prompted by internal and external factors. Among these were the growing pressure of radical social and political forces that had emerged since the recent crisis in the region, the influx of new Jewish immigrants from East European countries (including the former Soviet Union) to Israel and the occupied territory, the high level of tension between Palestinians and Israelis since the outbreak of the uprising, as well as some economic considerations, such as the slow growth of the Israeli economy and the growing rate of unemployment in Israel. Among external factors was the widespread criticism of Israeli policies in the occupied Palestinian territory and mounting international pressure for reform.

24. As for the sectoral level, participants asserted that developments in this connection had steadily led to distortions and imbalances which reflected widespread deterioration of social and economic conditions in the occupied territory.

B. Agriculture

25. In the area of agriculture - the backbone of the Palestinian economy - while productivity and output had increased tangibly over the period 1969 to 1986, the sector had experienced adverse transformations. Its share in GDP had declined from an annual average of 36 per cent in the West Bank and 29 per cent in the Gaza Strip during the period 1970-1976, to an annual average of 26 per cent, and 19 per cent, respectively, during the period 1985-1987. Similarly, employment in this sector had also declined from 42 per cent of the labour force in 1970 to 16 per cent in 1987 in

the West Bank and from 27 per cent to 11 per cent of the labour force in the Gaza Strip for the same period. This indicated a drastic decline in the labour absorptive capacity of the sector in both areas. At a time of severe and worsening unemployment, such a declining employment trend in agriculture had grave implications, especially as other directly productive sectors had not been allowed to create employment opportunities.

26. Another important set-back was related to the area under cultivation. By 1989, the cultivated area in the West Bank had dropped by 14 per cent below its pre-1967 level as a consequence of such factors as Israeli land confiscation and water usage and other Israeli measures which had inhibited agricultural expansion, as well as the shift to crops requiring less area for cultivation. In contrast, a remarkable expansion had taken place in Jordan and other neighbouring countries. Declines in cultivated area were likely to proceed at a faster pace unless the underlying causal factors were duly addressed and remedied. The participants agreed that the predicament of the Palestinian agricultural sector was a natural outcome of numerous complex factors. These are reviewed below.

27. The extremely rocky and sloping nature of land in the West Bank had placed a ceiling on the expansion of the cultivated area. Just a little over one third of West Bank land area was classified as fit for commercial farming. The high cost of reclamation and lack of adequate finance had shed serious doubts on the feasibility of reclamation projects in the present circumstances.

28. Scarcity of water resources was another important constraint to growth. This was particularly the case in the the Gaza Strip, which was suffering from a chronic water shortage with rising salinity posing a threat to the long-term viability of growing citrus fruit. In the case of the West Bank, the problem was more one of lack of access to available resources than of actual shortages, e.g., not licensing new wells, strict quotas for water with stiff fines imposed for exceeding them, and denying Palestinians their share of water from the Jordan River basin. Consequently, irrigated areas represented a small fraction of the total cultivated area, which had not exceeded 5 per cent in the West Bank.

29. Climatic hazards also posed a major barrier to sound agricultural growth. The ultimate impact of losses from natural causes had been further aggravated by virtue of the generous compensation schemes often accorded by governments to farmers in neighbouring countries, with whom Palestinians had to compete in practically the same markets. There were no agricultural or crop insurance arrangements in the occupied territory to help farmers withstand losses owing to adverse climatic fluctuations, such as those witnessed in 1991 and 1992.

30. Deficiency in planning and programming to develop the agricultural sector was another barrier. Since June 1967, Israel had exercised complete authority over the planning of the Palestinian agricultural sector and as such it had regularly resorted to dealing with the sector in ways which gave priority to serving Israeli interests, often at the expense of Palestinian farmers and consumers. Subsequent efforts aimed at creating local planning institutions had failed to yield a tangible result, despite the recent establishment of a number of Palestinian "research" and "planning" centres.

31. As in most market-oriented economies, capitalization requirements of Palestinian agriculture had increased sharply in recent years. More funding was required for modernizing production and marketing facilities, expanding production operations, and meeting the start-up requirements (seed, machinery, extension services, etc.) of new farmers, especially those who could not or did not want to seek employment in Israel. Since the closure by Israeli occupation authorities of all credit institutions in 1967, capitalization of agriculture had to rely almost exclusively on meagre personal sources of finance. Given the mounting needs of farmers on the one hand, and their reduced savings on the other, meeting capitalization requirements from such sources had become impossible for the vast majority of Palestinian farmers in the occupied territory.

32. It was emphasized that 25 years after the onset of Israeli occupation of the West Bank and the Gaza Strip, there was not yet one specialized credit institution in the occupied Palestinian territory to deal with the credit needs of farmers and agri-business on standard professional terms. Although five local credit institutions had emerged since the late 1980s, their effective role had not yet gone beyond serving an educational purpose of demonstrating what the needs were and what could possibly be done to meet them. In addition to these small-scale local credit institutions, several local and international non-governmental organizations had attempted, also on a small scale, to alleviate funding shortages by advancing various forms of grants. This policy of disbursing grants had few, if any, positive aspects and had sometimes encouraged corruption, undermining motivation for real development in the farming community.

33. Other aspects of the policy environment with adverse impacts on Palestinian agriculture were also noted. These included Israeli practices of uprooting fruit trees and crops, long and successive curfews and other Israeli security measures impinging on farmers' ability to reach fields or graze livestock, Israeli taxes and fees on the export of goods across the Jordan River bridges (such as the tax on olive oil), the high and often prohibitive cost of imported agricultural inputs and the weakened and marginalized role of agricultural extension services.

34. A basic dilemma facing Palestinian agriculture was that domestic demand absorbed only two thirds of local output. The surplus in most years was estimated at around 235,000 tons. Consequently, problems relating to trade relations with other countries and to the efficiency of the marketing system bore heavily on the growth potential of Palestinian agriculture. Unconditional entry of Israeli produce to local markets had created enormous difficulties for local producers, who were denied the lucrative subsidies enjoyed by their Israeli counterparts. In contrast, the flow of produce in the opposite direction was subject to strict licensing, and kept to a minimum. This had resulted in a fairly large deficit in the occupied territory's merchandise trade balance with Israel, amounting in most years to around 70,000 tons, with an estimated value of $80 to $90 million. In addition to obstacles confronting trade across the "green line", Israeli authorities had also imposed numerous restrictions on the flow of goods within the different regions of the occupied territory (including preventing the entry of produce into east Jerusalem), both as part of measures against the uprising and for protectionist motives.

35. The flow of farm produce to Arab countries across the Jordan River bridges had also run up against increasingly limited marketing opportunities. This may be explained by a variety of motives. Increasingly, the gap between cost and price structures prevailing in the occupied territory and Jordan did not favour a higher volume of exports from the former to the latter. Neighbouring Arab countries, especially Jordan, had rapidly increased production of many agricultural varieties which had traditionally been available only from the West Bank and the Gaza Strip. Such transformations had resulted in lowering the quantity of farm output entering Jordan across the bridges from around 250,000 tons during the early 1980s to around 35,000 tons by the late 1980s. Poor packing and transport facilities coupled with Israeli restrictions affecting transport of exports had aggravated the situation. Developments, especially since the 1990/1991 crisis in the Middle East, had increasingly affected trade patterns. Since then, hardly any Palestinian exports had entered markets beyond Jordan. The repeated calls by the Economic and Social Council of the League of Arab States for facilitating the entry (and transit) of Palestinian exports to Arab markets on a preferential basis had been ineffective for various reasons, including the requirements of implementing the Arab League boycott of trade with Israel. Nor have the possibilities of using Egyptian ports for the export of the Gaza Strip citrus fruit been seriously considered.

36. It was equally noted that exports to Europe had also failed to grow to desirable levels, despite strong support from the European Community and interested non-governmental organizations (NGOs). Exports during 1987-1990 mainly comprised citrus fruit, eggplants and green peppers in relatively small quantities. It was clear that unless major restructuring in production patterns and in the level of supportive services took place, exports to Europe would not assume significant levels in the foreseeable future.

37. Agro-industries in the occupied territory were still characterized by small size, inadequate quality control, severe shortage of funding, and poor technological backup. Consequently, these industries had failed to absorb any appreciable quantities of surplus produce, or to satisfy local demand for processed products. It was also generally feared that the relatively large number of firms which had emerged and flourished during the uprising might suffer badly once they were eventually subjected to wider competition.

38. In addition to capital, the low educational level of the agricultural labour force had also been an important obstacle to faster productivity gains and more efficient handling of agro-businesses. This was best illustrated by the fact that around 70 per cent of agricultural workers in the occupied territory had six years or less of schooling, i.e., about twice the ratio of workers in this category at the national level.

39. The inferior technological aptitude of farm workers assumed more serious proportions in the light of the emasculated services rendered by supportive institutions such as agricultural schools, research institutes and extension organizations. Despite a number of small institutions providing such services, especially since the uprising their performance had been characterized by a marked degree of competition, duplication, and inability to identify or respond to essential sectoral needs.

40. Participants held the view that the present critical status of Palestinian agriculture called for immediate action, notwithstanding the complexity of the situation and the obstacles. The success of an emergency recovery programme was contingent on the ability to identify appropriate modalities for meeting the needs specified above, within a frame of priorities well-tuned to the extraordinary circumstances prevailing in the West Bank and the Gaza Strip. Such an endeavour required not only firm determination and innovative thinking but also adequate financial resources.

41. It was emphasized that the major twin objectives of a Palestinian national agricultural policy would be to generate the maximum number of employment opportunities and expand the area of land under commercial patterns of farming. Attaining these objectives, among others, under the present setting of extreme competition in local and foreign markets would not be possible without continuously striving to improve competitiveness in regard to quality of produce, to reduce production costs and to raise the level of auxiliary marketing services.

C. Manufacturing

42. The meeting agreed that the manufacturing sector was the weakest link in the Palestinian economy in the 25 years of occupation. Contrary to the usual trend, the decline in the traditional sector had led to a rapid expansion of tertiary sectors at the expense of the potentially dynamic sector of manufacturing. Its share in GDP had remained as low as 5 to 6 per cent, much of it linked to the Israeli economy through subcontracting arrangements with Israeli firms where the benefits of value added through higher pricing policies accrued to Israeli enterprises rather than to the Palestinian entrepreneurs. As a result, the number of industrial establishments had decreased from 2,927 in 1965 to 2,462 in 1987 in the West Bank. In the Gaza Strip, however, it had increased from 768 in 1960 to 793 in 1987, mainly as a result of the subcontracting arrangements.

43. The percentage of the labour force employed in manufacturing had also decreased despite some increases in the total number of workers. As such, while the number of workers in the manufacturing sector of the West Bank had increased during the period 1970-1987 from 14,600 to 19,000, in relative terms it had risen only marginally from some 15 per cent to 16.5 per cent. In the Gaza Strip, a total of 6,400 persons had been employed in manufacturing in 1970, or about 12 per cent of total employed persons. This had risen to 9,500 persons by the end of 1987 or about 17.5 per cent of the total employed. These figures excluded those Palestinians working in Israeli manufacturing industries; in 1987 they totalled around 9,000 and 11,000 workers, from the Gaza Strip and the West Bank, respectively.

44. The size of industrial establishments, measured in terms of numbers employed, had remained small in scale over the period. The average employment per establishment in the West Bank was 7.7 persons in 1987; only about 7 per cent of total industrial firms employed more than 10 persons. This reflected the small family-based workshop and labour-intensive nature of Palestinian industrial establishments. In the Gaza Strip the average number per establishment stood at approximately 12; only 6 per cent of industrial establishments employed more than 10 persons.

45. It was noted that manufacturing firms in the occupied territory were mainly engaged in processing of foodstuffs, textiles and clothing, leather products, wood and wood products, rubber, plastics, chemicals, metals and non-metallic minerals, olive-oil soap, and services such as electrical and vehicle repairs. Most of the manufacturing firms were financed by owners' (or family) capital; there was little stimulus to expand owing to the absence of a viable banking system and the constraints imposed by the Israeli authorities. Many, if not most medium- and larger-scale manufacturing firms operated well below full capacity. Much activity was confined to repair work and low-skill activities in the small and restricted local markets. Substantial parts of the sector relied on outwork supplied by Israeli factories, finishing goods for later sale in, or export by, Israel, especially in the garment and footwear branches of manufacturing.

46. With regard to wages, it was noted that wage levels in the occupied territory's manufacturing firms differed depending on location and type of industry. The size of the project, its technological level and the corresponding experience required of the workforce played a significant role in determining wages. The wage levels in the southern areas of the West Bank were generally higher than those in the northern areas, but in general the average daily wage in the occupied territory was $10 to $12. By contrast, the wage level of Palestinian workers in Israeli manufacturing firms was much lower than their Israeli counterparts, but the wage paid in Israel was often higher than the levels prevailing in small manufacturing enterprises in the occupied territory. The higher wages in Israel had added to the difficulties of the Palestinian manufacturing firms in competing with Israeli counterparts for skilled Palestinian labour.

47. It was noted that the productivity of the labour force (sectoral output/employed) in the manufacturing sector fluctuated from year to year. It ranged from $1,800 to $2,500 per employee annually in the West Bank; in the Gaza Strip it was around $1,300 per employee annually. Fluctuation was attributed to the periods of recession and expansion in the Palestinian economy; thus productivity of labour in this sector remained dependent on the growth of the sectoral labour force. Periods of low productivity in the West Bank witnessed a high growth rate of employment in the manufacturing sector, while years of increasing productivity (1971, 1972, 1974, 1976 and 1980) marked a reduction in employment or an increase in industrial production by a rate higher than that of employment (as in 1978, 1982, 1984 and 1986).

48. Gaza Strip workers' productivity had been higher than their West Bank counterparts, mainly because many of the Gaza Strip workers had gained special skills while working in Israeli industries and/or from subcontracting activities. Moreover, the average weekly work hours in the West Bank were less than in the Gaza Strip. The figure had dropped to about 30.7 hours a week in the West Bank and 29.6 hours a week in the Gaza Strip by the end of 1988, owing to the many days of strikes and curfews, especially at the beginning of the uprising.

49. The bulk of manufactured goods was marketed locally in the occupied territory while Israel constituted the main foreign market. Total exports to Israel were equivalent to about one-third of manufactured imports from Israel in all years of occupation, while manufactured goods constituted a small

proportion of total Palestinian exports. Similarly, a very small proportion of manufactured exports went to Jordan, or to Arab or other international markets. Imports from Jordan amounted, on average, to about $9 million annually, 95 per cent of which constituted manufactured goods and raw materials. Conversely, imports from Israel constituted about 90 per cent of the territory's imports, of which about 90 per cent were manufactured goods.

50. One significant impact of the uprising on the Palestinian economy was the desire for self-sufficiency and substitution of Israeli products with locally produced goods. While some Palestinian manufacturing firms experienced high growth rates in this area, many others had been unprepared for the increased demand resulting from the local Palestinian boycott of Israeli products. Nevertheless, some Palestinian firms which had been on the brink of closure prior to the uprising were confronted with unprecedented demand opportunities in the domestic market as a consequence of changes in the purchasing pattern of the local population. Thus, Palestinian factories took a significant market share away from Israeli producers in the occupied territory, especially in the food processing and textile branches. This recent experience had encouraged Palestinian factories to invest some of their profits in new production lines and equipment.

51. Despite these limited successes, it was argued that the Palestinian manufacturing sector had continued to suffer from a range of constraints largely reflecting Israeli policies and measures that impeded Palestinian industrial progress, putting them in unfavourable competition with Israeli manufacturers who were assured of a captive market in the occupied territory. The absence of a national Palestinian strategy for the development of the manufacturing sector had acted as another major obstacle to entrepreneurs. Obviously, this lack had hampered coordination among manufacturing firms and created an unhealthy atmosphere which was not conducive to the sound development of the sector. Lack of research and marketing facilities had denied the sector the benefits of exposure to technological innovations and new markets, thus reinforcing the sector's stagnation.

52. In general, the constraints confronting the Palestinian manufacturing sector derived from those affecting the economy as a whole. They may be divided into two main categories:

(a) Resource endowment and structural limitations: The occupied territory suffered from shortages of natural resources. Moreover, Palestinians under occupation had not been able to exploit the limited resources actually available. Water resources now suffered from grossly inequitable distribution; their potential was often exploited against Palestinian interests by the occupation authorities. Available land - another limited natural resource - had been unable to meet all the demands placed on it. The absence of most raw materials needed for the development of the manufacturing sector formed a further obstacle. As a result, very few manufacturing firms depended upon locally produced raw materials. The neglect of this sector under 25 years of occupation had likewise deprived it of an adequate and competent technical labour force. A lack of relevant vocational schools to respond to its present and future needs could perpetuate this problem.

(b) Israeli policies and practices: The issuance of various military orders had given Israel absolute control over the direction, pace and orientation of the manufacturing sector's performance. These orders reflected Israeli policy objectives and practices, manifesting themselves in several forms whether involving the confiscation of all types of land; restrictions on access to, and exploitation of, natural resources, especially water and minerals; denial of permits prior to 1992 for the establishment of new factories; restrictions on the movement of goods and people; levying of illegal taxes, including their collection through arbitrary means, such as tax raids and confiscation of movable and immovable property; subjecting imports of raw materials via Israel to high customs duties (designed to protect Israeli industries), cumbersome administrative procedures and delays, while strictly limiting the imports of most raw materials and equipment from/via Jordan; the unlimited entry of Israeli manufactured goods into Palestinian markets on highly uncompetitive terms (with regard to cost-structures, subsidies and benefits accruing from Israeli protectionist trade policies); the failure to encourage or plan for industrial zones and related facilities which could help to rationalize and improve the efficiency of existing and future industrial enterprises; and, the establishment of Israeli settlements, including the establishment of zones for the creation of industrial parks to provide employment opportunities for settlers.

53. It was generally emphasized that restrictions on the movement of funds into the West Bank and the Gaza Strip since the early 1980s had also severely affected the development of the manufacturing sector. The suspension of the pre-1967 banking system and its replacement by branches of Israeli commercial banks in both the West Bank and the Gaza Strip since 1967 had deprived the economy, in general, and the manufacturing sector, in particular, of financial resources vital to investment and working capital requirements. Coupled with the lack of corporate enterprises, the sector had been forced to rely entirely on meagre individual savings and family resources for replacement of equipment, renovation of premises, introduction of new technologies and other investment requirements.

54. It was observed that recent changes in Israeli policies towards the development of the industrial sector in the occupied territory had been aimed at reallocating Palestinian workers who were no longer needed or desired in Israel. The tax reform and investment plans initiated so far had aimed to provide an impetus to Palestinian industry in order to facilitate absorption in local firms and factories of West Bank and Gaza Strip labourers currently employed in Israeli firms and factories. According to regulations issued in this respect, much of the new licensing and expansion expected will be in labour-intensive manufactured products such as textiles, clothing and simple consumer goods in high demand in Israeli markets. It was obvious that the new shift in Israeli policies towards Palestinian industry in the West Bank and the Gaza Strip was aimed at replacing import of Palestinian labour with imports of labour-intensive goods from the occupied territory.

D. Mining and quarrying

55. Regarding mining and quarrying, it was noted that this branch had not yet assumed its potential role in the Palestinian economy. Despite the existence of some non-metallic minerals like phosphate, lime, barite, sulphur, gypsum

and clays, in addition to some metallic elements like chrome and uranium, their exploitation had been constrained for a number of reasons, both political and technical. The only resources presently being exploited were lime, limestone and marble in the West Bank and sand in the Gaza Strip. However, their exploitation and production had not met expectations.

56. While the occupation of the West Bank and the Gaza Strip had opened new markets for limestone products both in the occupied territory as well as in Jordan and Israel, the bulk of output was being used locally to meet increased demand for housing and other construction activities. Nevertheless, this increased local and external demand had prompted Palestinians to expand existing production capacities and apply radical technological changes in exploitation and production. This had made enterprises more capital-intensive and efficient but had reduced employment opportunities for skilled labour. Concomitantly, the introduction of new technology had increased financial needs which could no longer be met from meagre family savings; as a result, many entrepreneurs were being forced to quit their businesses. Moreover, the application of new technologies also had led to specialization in products and locations. Whatever the technical consequences of changes in limestone exploitation and production, beyond doubt the smooth development of this branch had been hampered by the interplay of numerous factors associated with Israeli policies related to production, marketing, financing and other aspects of limestone exploitation.

57. Additional major problem areas were summarized as follows:

(a) The absence of reliable information regarding the availability of mineral resources in the West Bank and the Gaza Strip. Israeli authorities did not allow geological surveys;

(b) The indirect restrictive policies affecting building stone exploitation, especially limestone extraction, including expropriation of land and quarries, seizure of possessions and restrictions on use of construction materials;

(c) Restrictive policies affecting the issuance of building permits in the rural areas;

(d) Policy measures which restricted exportation, whereby export permits for only certain quantities and specified periods of validity were issued. In addition, fees to move goods across the bridges had been gradually increased, and exporters were required to present clearance certificates from customs, income tax and other Israeli controlled departments;

(e) Restrictive policies on the establishment of cement industries or exploiting Dead Sea mineral resources.

58. In addition to the policies adopted by the Israeli occupation authorities, the participants also noted some internal problems. The absence of research institutions and centres had adversely affected the proper development of the mineral sector. Increased demand also called for the adoption of new technologies which had helped increase production, but at the

same time had created new problems in adaptation of production processes to the new technology, maintenance, financing and manpower development problems.

E. Services

59. It was noted that one peculiar characteristic of the Palestinian economy under occupation had been a significant growth in the services sectors. This development did not reflect the classical pattern observed in many developing economies as they moved from one phase to another in the process of development. Whereas growth of income in most such cases was largely generated internally, in the occupied territory it had been induced by external factors, primarily through demand for Palestinian labour in Israel and the Gulf States.

60. Since 1967, the economy in the occupied Palestinian territory had been "free" to function only within parameters set by the occupation authorities. The consequences for the economy of the West Bank and the Gaza Strip were intensification of structural fragmentation (the weakening of linkages between sectors). The primary sector has stagnated, and the exceptionally fast-growing service sectors have expanded. The service sectors of the Palestinian economy in the West Bank and the Gaza Strip had not developed like the industrialized economies in the West, but reflected growth in demand for intermediate services from elsewhere in the economy and a growing welfare function of the State. Furthermore, growth in Palestinian services sectors appeared to have taken place as an alternative to industrial growth, rather than one of its consequences or corollaries.

61. It was generally concluded that the contribution of the primary and secondary sectors to the Palestinian economy and to the process of development had been minimal, as had been their contribution to growth of services. The development of these sectors had been stifled by the combination of Israeli policies and practices, as well as unequal competition with the more developed Israeli economy. This in turn had constrained the development of certain services (such as producer services), while promoting the growth of others (wholesale and retail-trade services). Although variations in the relative importance of different services exist within and between the modern "service economies", these have tended to be marginal. For the Palestinian economy, however, the growth of services and their contribution to GDP and employment was concentrated in the distributive service branches, in particular in wholesale and retail trade.

62. The other services branches within the Palestinian economy had experienced either marginal or no growth, reflecting their meagre contribution to GDP and employment. Since 1967, the contribution to GDP of the public and community services sector had decreased while its share of employment had increased only marginally. Producer services branches had contracted, primarily owing to restrictions imposed by the occupation authorities and the absence of conditions conducive to industrial growth. Israeli military orders had effectively left the economy with no financial institutions to channel funds to productive investment. Coupled with restrictions imposed on industrial development (by denying permits to establish firms, and limiting access to international markets) this had proscribed industrial development and growth, and thus impeded demand for producer services.

63. Participants noted that the growth of distributive services within the Palestinian economy and the stagnation of the primary and secondary sectors were reflected in, and related to, the open international trade structure of the economy. Since the onset of occupation in 1967, the Palestinian economy had been an import surplus economy. Merchandise imports in 1987 accounted for over 76 per cent and 78 per cent of total imports of the West Bank and the Gaza Strip, respectively. This pressure, combined with restrictions on internal (in particular industrial) development had contributed to the growth of distributive services in the Palestinian economy.

64. The important factor which had allowed the Palestinian economy to sustain a large import surplus over the years, and which at the same time had significantly contributed to growth in per capita disposable income, had been wage employment outside the territory, mainly in Israel. For the West Bank, the wages of these workers (factor income) had accounted for around 25 per cent of gross national product (GNP) since the early 1970s and had been equivalent to over 30 per cent of GDP. Within the current account, the gap between the merchandise deficit and the services surplus had been large in most years (especially since the mid-1980s), with the surplus in services only partially compensating for the steep rise in merchandise imports. The export of Palestinian labour services had emerged as the prime generator of external resources in the current account, ensuring an increasing annual surplus. Since then, and particularly following the crisis in the region, the fall in revenues from this source had had negative consequences for the current account position especially in the light of the growing merchandise deficit.

F. Merchandise trade

65. With regard to merchandise trade it was noted that immediately after Israeli occupation of the West Bank and the Gaza Strip, measures had been taken by the authorities towards the gradual integration of their economies into that of Israel. Accordingly, borders were opened between the occupied territory and Israel allowing, in principle, the free flow of goods and services in both directions. However, subsequent measures gradually allowed unrestricted entry of Israeli exports into the territory and prevented the flow of Palestinian goods into Israel, except on a selective and limited basis, in order to limit the flow of goods that could compete with Israeli products. Coupled with measures controlling production, these policies and practices entrained a gradual but clear distortion in the structure of Palestinian agriculture and industry.

66. Regarding foreign trade development since the occupation, there had been a continuous increase in the share of trade and a growing balance-of-payments deficit with Israel. This deficit had been increasingly covered by the export of Palestinian labour services, (mainly to Israel), a merchandise trade surplus with Jordan and transfer payments from abroad. Consequently, Israel became the territory's major trading partner, supplying about 90 per cent of its total imports and consuming/absorbing about 65 per cent of the territory's exports. Much of Palestinian exports to Israel have been products manufactured under subcontract with Israeli firms, yielding very low value added to the Palestinian economy. As noted earlier, the real gains had been passed on to the Israeli firms which sell these goods in both Israeli domestic markets and export markets abroad.

67. It was noted that, in view of the tariff and non-tariff barriers imposed by Israel and other countries on exports from the occupied territory, Palestinian exporters had resorted in recent years, within the context of initiatives aimed at promoting self-reliance, to identifying new markets, such as the European Community, and to benefit from the preferential treatment extended to them. Although these efforts had given Palestinian producers and exporters access to new markets, the non-availability of necessary marketing facilities, both in the occupied territory and abroad, had hampered significant direct exports to the European Community and elsewhere.

68. Equally bold measures had recently been taken to reduce reliance on imports from Israel and elsewhere. This move was manifested in import substitution measures, involving mainly food products. While the results were promising, the prospects for continuing and promoting such a policy meant that producers must make sustained efforts to meet numerous technical requirements, to import essential raw materials and other inputs, and to rationalize imports of consumption goods. As an immediate result, imports retained their high level in relation to GNP while exports showed a declining trend. More radical structural changes were thus called for, both in agriculture and industry, in order to benefit better from international trade.

69. A number of other obstacles hindered the development of Palestinian merchandise trade, both domestically and internationally. The absence of an adequate and efficient transport and communication system was a major constraint. Coupled with cumbersome regulations and procedures gradually introduced by the Israeli occupation authorities, the dynamic role of trade in the process of economic growth and development had been reduced to nil.

70. Lack of financing was cited as another important obstacle to the development of the trade sector. Despite the opening of a few branches of Arab banks in the occupied territory, domestic and external trade had suffered from shortages of adequate and appropriate finance, including export credits and guarantees as well as import and other trade-related financing. Israeli measures drastically reducing the flow of funds from abroad had further intensified the negative impact of an already inadequate monetary and financial system on the merchandise trade of the occupied territory.

71. It was noted that trade with the Arab countries which had provided traditional markets for Palestinian agricultural and industrial products was also constrained by mounting restrictions. In addition to numerous Israeli obstacles, Palestinian exports from the occupied territory to Arab countries were effectively limited by regulations reflecting domestic economic considerations as well as application of the provisions of the Arab League boycott regulations pertaining to trade with Israel. While the pursuit of such policies may have served a purpose, it had had increasingly adverse effects on the Palestinian economy in the occupied territory.

72. When Jordan relinquished legal and administrative ties with the West Bank, the entry of Palestinian farm produce became linked to that country's actual needs. The measures specified the types of products and the time or season that they could enter Jordan. Owing to inadequate and inefficient marketing and transport facilities in the occupied territory

(to cater for grading, selecting, packing, cold storage, etc.), Palestinian producers and exporters were experiencing difficulties in meeting the requirements.

G. Public finance

73. In the domain of public finance, since 1968 the Israeli military authorities had assumed responsibility for preparing, implementing, controlling and auditing the government budget for the West Bank and the Gaza Strip. 4/ Considered as a security matter, the budget was attached to the Ministry of Defence through the "Civil Administration". An analysis of the Civil Administration budget in aggregate terms has revealed that total per capita expenditures (current and capital) had increased from $39 in 1968 to $228 in 1987/88. However, the total per capita tax burden had also increased, from $11 to $115 in 1988/89. Including non-tax payments for government services, the total tax and non-tax/expenditure ratio had reached 93 per cent. Including taxes paid by Palestinian workers in Israel, the total per capita tax and non-tax burden had reached around $242 by 1988/89. This figure represented about 117 per cent of total Israeli government expenditures in the occupied territory.

74. The government budget had never been allowed to play its economic and social role for development. Its structure and orientation were almost totally governed by political considerations in line with occupation objectives and policies. It could not be classified under generally accepted schemes of being "economic", "functional" and/or "object" oriented. Even in terms of its "organizational" line, it left much to be desired. Neither on the revenue nor on the expenditure side had the budget been allowed to serve as an instrument of public policy.

75. The Israeli government budget and the Palestinian local government budgets had played only a limited role in creating jobs, mostly confined to hiring local employees in government departments and institutions. Almost half of the local government budget was allocated to salaries and wages of employees largely engaged in the areas of education, health and other related social services. About 24,500 government employees were thus engaged, constituting about 8 per cent of the total labour force in the occupied Palestinian territory. The government budget had had no effect on job creation through economic and infrastructure projects, as such projects were virtually non-existent. Nor had the government budget played a role in: allocating or distributing resources to various areas of the economy; controlling prices; balancing production and consumption, or improving the balance of trade and international payments. In short, the budget had not served the mobilization, allocation and stabilization objectives of positive public policy. Similarly, the impact of the government budget on the level of national income and consumption had been equally negligible. Much of the expenditure to cover urgent social and economic needs was provided from abroad through multilateral and bilateral sources.

76. With regard to the tax system covering both direct and indirect taxes, it was noted that its structure and orientation had been distorted during the past 25 years of occupation. Taxes were subject to frequent alterations without any justification; new taxes were superimposed on an already

cumbersome base, contrary to provisions of international law and conventions pertaining to occupied territories. The tax system had been almost entirely devoted to increasing government revenues while neglecting almost totally its equity and/or economic allocation effects. The revenue function of the system had not been matched by corresponding expenditures expected to be incurred. Its role in inducing investments had been reduced to nil. Accordingly, many other provisions of prevailing law in the territory, including the Jordanian Investment Encouragement Law, had been nullified or simply ignored. In addition to the inequities and distortions in the structure of the tax system, over the 25 years of occupation, tax administration itself had itself suffered from severe shortcomings and so left much to be desired.

H. International assistance

77. In light of the inadequate and inefficient monetary and fiscal systems, much of the financial-resource needs of the occupied territory had had to be met through the intermediation of individuals in the informal monetary and financial sector and through flows of external funds in the form of private and public transfers. Accordingly, international development assistance had played an increasingly important role since 1967 in contributing to economic activities and meeting growing demand for basic social services. This was done through a widespread network of charitable organizations. However, its role in promoting economic development had been minimal.

78. It was noted that other sources of financial transfers to the occupied territory, such as remittances to families from Palestinians working and residing abroad, were used primarily to meet domestic consumption and/or invest in real estate and housing. It was argued, that external aid had a greater potential of meeting longer term development goals, whether measured in terms of basic community needs in such areas as health, education, shelter, job-creation, etc., or in directly productive sectors such as agriculture, industry and others which contribute to economic growth. This aspect was particularly important in an economic environment such as that of the West Bank and the Gaza Strip which, for obvious reasons, was not attractive to external (or even domestic) private investment under conditions of occupation.

79. The main Arab and Islamic funding sources, including the Jordanian-Palestinian Joint Committee (JPJC) had contributed about $560 million to the occupied territory during the period 1978-1984, an average of $80 million per year over seven years. According to official Israeli balance-of-payments estimates for the occupied territory, these funds had amounted to 34 per cent of all transfers from abroad in 1978, reaching a peak of 69 per cent in 1982, falling to 34 per cent in 1983 then rising again to 40 per cent in 1984. The largest proportion of this sum had come as transfers from the Jordanian Government and the JPJC. The two categories of smaller donors, i.e., Jordanian non-governmental organizations (NGOs) and Arab and Islamic States, had contributed $48 million over the same period. Of this, Jordanian NGOs made a contribution of $18 million, or an average of $2.5 million per year.

80. Direct aid from Arab and Islamic States i.e., transfers not channelled through the JPJC, had averaged $3.3 million a year during the period 1978-83, then increased to $10 million in 1984, covering contributions to the

Ghor Valley irrigation project. This was part of a large-scale agricultural modernization scheme, originally pioneered by a few international NGOs, introducing drip-irrigation technology and "high yielding varieties" of vegetable crops into conventional peasant agricultural systems. The scheme resulted in an unprecedentedly high level of regional agricultural growth (measured in both output and value), but with negative redistributive effects: the main beneficiaries were a small number of large landholders and agricultural merchants.

81. Since the 1967 war, Jordan had maintained its commitment to fund public institutions and employees in the occupied territory. As such, Jordanian Government transfers had formed the longest-standing source of external aid to the occupied territory. Funds from this source had been largely directed at maintaining the Jordanian civil and social service apparatus in the West Bank. Despite Jordan's 1988 "legal and administrative" disengagement from the West Bank, it had continued to provide support to the Palestinian people in the occupied territory. This had included, for example: continued financing of the upkeep and services at Muslim holy places, especially in East Jerusalem; continued Jordanian citizenship for all Palestinian residents of the occupied territory; continued application of the Jordanian educational curricula and secondary certificate in the West Bank; and, aid from a wide network of Jordanian charitable institutions and NGOs that had mounted intensified efforts since the uprising to provide social welfare and other aid to the occupied territory. This continued strong Jordanian role in support of the Palestinian people since 1988 had been consistent with the close historical, political, family and economic ties between Jordan and the Palestinian territory.

82. Assistance from non-Arab sources had evolved at a slower pace than that from Arab sources but it had come to play an important role in supporting the Palestinian people in the occupied territory, especially after the decline in Arab funding. This had been particularly true in the post-1990 period when aid from the European Community (EC) had increased substantially, with almost $100 million in direct community aid, emergency aid and co-financing through European NGOs programmed for the 1992-1995 period. The figure does not include the substantial contributions through the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) or exceptional food aid. Notwithstanding this exception, assistance from non-Arab sources had been less significant than Arab aid during the period 1967 to 1992. Nor did it begin to develop significantly until the uprising. Aid to the occupied Palestinian territory during the period 1987 to 1992 also came from a variety of international sources, including intergovernmental, quasi-governmental and non-governmental organizations. During this period, aid amounting to over $200 million, came from at least 10 international organizations, 40 Governments and around 50 NGOs. This did not include assistance to Palestinian refugees by UNRWA, the most substantial funding body of all the international agencies.

83. Despite the multiplicity of external sources of finance, the flow of external aid to the Palestinian people in the West Bank and the Gaza Strip encountered numerous obstacles which reduced its impact and effectiveness. Foremost among these were the constraints introduced by the Israeli occupation authorities through the successive promulgation of military orders amending

the corpus of laws in force in the West Bank and the Gaza Strip since 1967. Orders affecting the economy and social services numbered some 1,300 in the West Bank and 1,100 in the Gaza Strip. The arbitrary manner in which the existing laws of the territory had been applied also constituted a serious obstacle to development. The establishment of the Civil Administration in the West Bank and the Gaza Strip was seen as a step in the institutionalization of the key Israeli objective, developed by successive Israeli Governments since 1967, to keep the occupied territory under Israeli control. The modus operandi to achieve this objective included measures to control incoming aid and manipulate development, which were contrary to the commitments of the occupying Power under international law with respect to the population under occupation since 1967. Accordingly, and as noted earlier, constraints had been imposed on financial institutions (banking facilities, credit institutions, insurers, etc.), including the licensing of new projects, the establishment and operation of cooperatives and other institutions.

84. The second problem impeding the free flow of external aid was the relentless effort by Israel to channel aid through the offices of the Israeli Civil Administration in the occupied Palestinian territory. Many donors had reported that the purpose of this Israeli intervention was to adapt the inflow of donations to serve Israeli priorities in the territory. These included two important objectives:

(a) Preventing the implementation of projects which empowered Palestinians and decreased the dependency of the Palestinian economy on the Israeli economy; and,

(b) Relieving Israel of its international obligations towards the Palestinian population under its control by directing external aid to areas of government activity, including infrastructure, and partially financing current economic projects and social service expenditures.

Organizations such as UNRWA, UNDP and other United Nations institutions as well as the European Community had experienced problems with the Israeli authorities arising from the above policies. Some United States and European NGOs had also encountered obstacles in implementing their aid programmes. This conflict between donors and the Israeli Civil Administration over the financing and management of development assistance had been evident for over two decades.

85. A third problem affecting the flow of external aid and its proper allocation for the benefit of the Palestinian people had been the absence of proper coordination among the donors, on the one hand, and among the local Palestinian development agencies, on the other. Donors were guided, as might be expected, by a variety of motives, including economic and social priorities and attitudes towards the national rights of the Palestinian people. Coordination among local Palestinian beneficiaries had not been without difficulty, irrespective of the fact that they all sought largely developmental goals. Differences in ideological orientation as well as factional policy rivalry had impeded coordination. Consequently, coordination between the donors and the Palestinian beneficiares ran up against many hurdles.

86. In general, it was asserted that the management of incoming aid posed a serious problem, thus widening the gap between the high aspirations expected from such aid and the actual achievement of desirable results and goals. The problems included: arbitrary Israeli policy in the occupied territory; the volatile and unstable political environment; the absence of protection for Palestinian individuals and institutions; weak coordination among donors; and, the absence of proper monitoring of, and credible information and research on, socio-economic developments and needs in the West Bank and the Gaza Strip.

87. Notwithstanding the difficulties and the problems confronting the proper channelling, utilization and management of external aid, its impact on the Palestinian economy was described by participants as being both:

(a) Positive in contrast with the situation that could have developed had the Palestinians and the donors totally surrendered to the Israeli measures and pressures or had the flow of external financial aid either stopped or been invested solely in projects which met the priorities of the Israeli Civil Administration.

(b) Negative in the sense that it only resulted in injecting first-aid assistance into the Palestinian economy without bringing significant structural change. In other words, the structural dependency of the Palestinian economy was re-emphasized by the fact that the occupied territory had become, over and above its dependence on Israel, increasingly dependent on other external sources of finance (intergovernmental, governmental and non-governmental). Accordingly, the actual empowerment of Palestinians despite this aid was very much less than desired. In other words, although external assistance to the occupied territory was influential in slowing the deterioration and the degeneration of socio-economic conditions in the territory, it had fallen short of producing an effective, independent Palestinian market-oriented mechanism able to initiate Palestinian disengagement from Israel's unwarranted control.

88. On a different level, it was argued that the impact of aid received could also be assessed in terms of its role in institution-building. In this respect, the overall result was complex. The emergence of development-oriented indigenous grassroots institutions had been to a large extent facilitated by the assistance received through external funding agencies. However, in the absence of national guidance, the aid extended to these institutions had served as a catalyst in promoting duplication of activities and encouraging unwarranted fragmentation of development efforts.

89. It was stated that, in general, Palestinian development institutions were over-politicized and factionalized. Consequently, duplication of development activities in all spheres had been observed. This had come in for repeated criticism from both donors and beneficiaries alike. Very little had been achieved by local development institutions in terms of coordinating development activities. Nevertheless, the establishment of so-called "Higher Councils" had been going on for some time. Performance thus far had fallen short of the objectives set and no coherent results in terms of development had been achieved. Neither were the indicators for future success in this field promising. Their failure could in part be attributed to the way these Councils had been formed. The main criteria for joining these Councils had

been primarily political considerations rather than developmental ones. Performance, efficiency and responsiveness to the needs of the wider community and potential membership were not serious factors. If this persisted, and in the absence of a comprehensive development programme, the Councils would become associations of fractionalized political institutions, with as their main aim to regulate the distribution of incoming funds among their constituent membership.

I. Natural resources: land, Israeli settlements, water resources

90. On the question of land, it was noted that by the end of 1991 over 3.5 million dunums of land, or at least 67 per cent of the land area of the West Bank (excluding annexed east Jerusalem), had been (or was in the process of being) expropriated, confiscated, or otherwise placed under the control of Israeli military authorities or settlers, and thus removed from indigenous Palestinian control and use. Only 52,500 dunums of that land (some 2 per cent) had been acquired through purchase (or lease) from Palestinian owners. The rest was acquired through a variety of pretexts enshrined in Israeli military orders, such as "State land" (54 per cent of the total), "military/security purposes" (20 per cent), "absentee property" (12 per cent), "public purposes" and "projects, roads and natural reserves" (12 per cent). In the Gaza Strip at least 40 per cent of land had been similarly placed under Israeli control by 1986. Over 500,000 dunums of the total confiscated Palestinian land in the West Bank (excluding east Jerusalem) and the Gaza Strip had been seized by the Israeli authorities in the relatively brief period between January 1988 and June 1991, i.e. since the beginning of the Palestinian uprising, and mostly since January 1990.

91. It was stated that the confiscation of Palestinian land since 1967 had been important for the policy of establishing Israeli settlements in the occupied Palestinian territory. It had been calculated that some 65 per cent of the total confiscated area had been devoted to settlement purposes, while much of the rest had been turned into closed military areas. By the end of 1991, the Israeli authorities had established at least 156 civilian settlements in the West Bank (of which 12 were in east Jerusalem) and 18 in the Gaza Strip (that is, excluding paramilitary outposts). The settler population had by then reached 250,000, of whom 138,000 lived in east Jerusalem, 108,000 elsewhere in the West Bank and 4,000 in the Gaza Strip. The 1990-1991 growth in settler population in the occupied territory was estimated at a high rate of from 9 to 13 per cent, as a result of settling some of the new immigrants to Israel as well as Israelis from areas of central Israel moving into the West Bank motivated by a variety of economic and ideological reasons. The majority of the settler population was concentrated around Jerusalem and in the area dominated by the nearby Tel Aviv metropolis, living in settlements installed according to Israeli strategic interests (military, economic and demographic). According to official data, between 1967 and the end of 1991, at least $14 billion had been invested in the construction of housing units, roads and other elements of the Israeli settlement infrastructure in the occupied Palestinian territory.

92. Water-resources exploitation, use and management were considered the most intractable issues related to Palestinian economic development. This had gradually assumed serious proportions for the Palestinian people in the

West Bank and the Gaza Strip following the occupation of these areas by Israel in 1967. Water was not only deemed a vital resource for the economy of the West Bank and the Gaza Strip but an imperative for the existence of the Palestinian people in their homeland, bearing in mind the scarcity of water resources in the region.

93. United Nations General Assembly resolution 181 of 29 November 1947 - which proposed the division of Palestine into two States - had not referred explicitly to the the exploitation and use of water resources in the West Bank and the Gaza Strip. In the West Bank, where Jordanian law was in force until 1967, water was considered as a private resource. Landowners could claim private ownership of water on or under their land. Jordanian law number 31 of 1953 on "Supervision of Water" called for permission to be obtained for any irrigation scheme. Permission was generally granted unless the proposed irrigation system was considered to infringe on any other land use, including roads. Jordanian legislation prior to 1967 also prohibited the transfer of water from one drainage basin or aquifer to another. During that period, the authority for extraction and distribution of water in the West Bank as well as for feasibility studies, design, and full supervision of water projects was vested in the Water Department of the West Bank, a branch of the Natural Resources Authority of Jordan. The Water Department of the West Bank did not place any limitations on the depth or the yield of wells to be drilled and there were no complications in the process of obtaining a permit. Authority over the supply of water, its networks, planning, development, operation and maintenance was entrusted to local municipalities and village councils. In the Gaza Strip, authority over water resources exploitation and use was vested in the Directorate of Municipal and Rural Affairs.

94. Following the occupation of the West Bank and the Gaza Strip in 1967, the Israeli authorities issued a number of military orders and administrative instructions affecting all aspects of water-resources exploitation, distribution, use and management. Accordingly, all surface and groundwater resources were considered public property; authority over them was vested with the military commander. As such, Jordan River water had been extensively used for Israeli settlements and projects both in the West Bank and Israel. The West Bank Water Department, headed by an Israeli officer, together with the Israeli Water Company "Mekorot", had overall control over the exploitation, use and management of water utilities. The Water Department was responsible for approving any water exploration activity by any local or regional authority, and such approval was rarely given. Only the distribution of water was administered by local and regional water authorities.

95. The amount of water transferred from the West Bank and the Gaza Strip to Israel and its settlements in the occupied West Bank and the Gaza Strip from groundwater through artesian wells and from the Jordan River was estimated to be about 515 to 530 million cubic metres per year out of a total West Bank water supply of some 700 million cubic metres annually. This practice had reduced both surface and groundwater reserves in the West Bank and the Gaza Strip to dangerous levels. In the West Bank, annual rainfall was almost enough to replenish that used in Israel and in its West Bank settlements. In the Gaza Strip, however, groundwater levels had fallen below the level of normal replenishment owing to over-pumping by Israeli settlements just over the Gaza Strip's border with Israel. The vacuum created allowed polluted and

saline water to penetrate, thus adversely affecting the quality of water used for household and agricultural purposes. Total water consumption for agriculture in the West Bank had increased from 75 to 88 million cubic metres per annum since 1967.

96. Similarly, while an increasing number of wells had been authorized to be drilled by Israeli settlers in the West Bank and the Gaza Strip, Palestinians had been consistently denied the right to drill new wells on their own land. Furthermore, the number of existing Palestinian wells, both in the West Bank and the Gaza Strip, had been reduced since 1967. This practice had contributed to an alarming water situation, particularly in the Gaza Strip where the amount of water withdrawn for Israeli settlements represented some 20 to 40 per cent of the total of 70 to 90 million cubic metres per year of available water resources there. Similarly, Palestinians were prohibited from planting new fruit trees on their land while the Israeli settlers were not only able to use relatively unlimited amounts of water for agriculture, but were allowed to maintain generously high levels of domestic and leisure consumption.

97. It was concluded that poor institutional, technical and managerial requisites at all levels had contributed to increasing waste and high cost of water for both domestic and commercial use, including agriculture and manufacturing activities. The continued exclusion of Palestinians and their relevant institutions from planning and implementing realistic programmes for the rational exploitation and utilization of water resources called for serious reconsideration of the policies and practices that had emerged over 25 years of Israeli occupation (see below for additional information on water utilities in the occupied territory).

J. Public utilities (municipal services)

98. Regarding public utilities, providing public goods and services to the population of the West Bank and the Gaza Strip - such as water for household and industrial purposes, electricity, sewerage and refuse disposal, slaughterhouse facilities, public market places and public safety - these were considered to be markedly inadequate in their coverage and deficient in operation. They generally suffered from a lack of financial resources, poor managerial and technical know-how, rising costs, as well as shortcomings in planning, costing and pricing policies and practices. Coupled with the constraints imposed under conditions of occupation, the entire range of public utilities appeared to be one of the most neglected sectors in the West Bank and the Gaza Strip. Israeli policies and practices had increasingly rendered these utilities dependent on Israeli infrastructure and related services. With the exception of main cities, the small-sized urban communities and rural areas as well as refugee camps suffered considerably from the lack of many utilities or inefficiencies in their operation. The shortcomings varied from one specific utility to another.

99. Regarding water utilities for domestic and industrial purposes, more than 80 per cent of the supply was controlled and used by Israel, both in Israel proper and in Israeli settlements in the occupied West Bank and the Gaza Strip. The specific sources of water supply for domestic and industrial use in the West Bank were: regional and municipal wells, 40 per cent of total

supply; private wells and springs, 13 per cent, sources controlled by Israel, including the West Bank Water Department, Mekorot and Jerusalem Municipality, the remaining 47 per cent. In the Gaza Strip, the municipalities and local village councils supplied water from their own artesian wells; residents of refugee camps were supplied with water from wells administered by UNRWA.

100. At present, total domestic and industrial water consumption had reached 25 million cubic metres per year in the West Bank and 24 million cubic metres per year in the Gaza Strip. Water demand was not met in most cases. Actual demand was estimated to have exceeded consumption by about 55 per cent. This shortfall indicated a serious deficiency in the amounts of water actually supplied, despite the fact that the total annual water recharge was estimated to be at least 600 million cubic metres for the West Bank alone. Water consumed by industry amounted to about 15 per cent and 9 per cent of total domestic water consumption in the West Bank and the Gaza Strip, respectively.

101. In rural areas, only half of the 351 large villages in the West Bank had water distribution systems. About 38 per cent of the total rural population was not served by water distribution networks. In the Gaza Strip, about 31 per cent of the total population of the refugee camps was not served by water distribution systems. Water losses due to leakage, faulty meters and inefficiency in pumping systems were estimated at 30 to 50 per cent of total water supply. In addition, there was a general lack of water storage tanks.

102. Poor planning was considered a major problem confronting water-resources exploitation and management. There were no competent local or national water-resource institutions capable of developing a comprehensive plan for the efficient exploitation and supply of water at various levels, whether urban or rural. There were no water-quality monitoring and testing programmes, nor any treatment of water except for the addition of chlorine. Consequently, the quality of domestic water was deteriorating, especially in the Gaza Strip, where salinity rates were rising. At times, the cost of water supplied exceeded its delivery price. In general, the high cost of water was due to the high operating costs of pumping, the high proportion of lost water, poor pricing policies and gross technical inefficiency.

103. As for electricity, it was being supplied mainly from Israeli sources. All major electricity producers in the West Bank and the Gaza Strip, including the municipalities and the Jerusalem District Electricity Company (JDEC), had been gradually forced to link with the Israeli grid. The Palestinian producers of electricity were restricted in developing their power stations or even in maintaining them. Consequently, local Palestinian producers had gradually come to act as distributors (sub-contractors) of the electricity purchased from the Israel Electric Corporation. In the West Bank, the share of the purchased electricity was about 95 per cent of total supply, while in the Gaza Strip, it had reached 100 per cent. Since 1988 the JDEC had purchased all its distributed electricity. Nablus Municipality was responsible for the only large-scale Palestinian electricity generation still in operation, but the electricity thus produced represented only 40 per cent of total distributed electric power in that district. Currently, the total amount of purchased electricity was estimated at 500 and 220 million kilowatt/hours per year in the West Bank and the Gaza Strip, respectively.

Only around 10 per cent of the distributed electricity was absorbed by industry, while the rest was consumed mainly for household purposes.

104. With regard to geographical coverage, it was noted that around 95 per cent of the urban population in the West Bank and the total population in the Gaza Strip enjoyed regular electricity supply. In rural areas of the West Bank, about 80 per cent of rural communities had some sort of electricity network. Of these, only half had a regular supply; the other half had supply for only a few hours daily. The rest of the rural population (some 20 per cent) was not supplied with electricity. It was noted that per capita electricity consumption in the West Bank was less than that of Jordan.

105. The quality of servicing the electricity network was equally unsatisfactory. Frequent and sudden disconnections occurred. There was a shortage of transformers and the electricity lines were usually overloaded. Losses in the distribution systems reached about 15 per cent of total distributed power. Other problems in the sub-sector included poor planning and management of electricity supply. Pricing policies should usually lead to profit, but when electricity was locally produced, the variable cost exceeded the final price. (For more information on the subject of electricity, see the section on energy below in paragraphs 133ff.)

106. As regards sewage collection systems, it was noted that sewerage capacity had been expanded to cover most of the urban areas. The municipalities had assumed responsibility for the development of waste-water collection systems. In most large urban areas, between 50 to 85 per cent of dwellings were served by sewer mains. Nevertheless, many small urban areas lacked sewerage mains. In the rural areas there were no collection systems, except for one village in the West Bank which was partially served. In the Gaza Strip, there were two sewerage collection systems outside urban areas, in Jabalia and Beit Lahia. The rest of the population in rural areas and refugee camps utilized septic tanks and/or public and private latrines, some with small pits, posing serious health hazards. Waste-water treatment facilities were confined to primary facilities available only in a limited number of towns. Therefore, in most cases, collected sewage flowed in the open into the nearby wadis. There were no specialized labs or established programmes for testing, monitoring or analysing waste-water conditions and quality.

107. As for solid waste, it was being collected and disposed of in all urban areas and most of the big rural communities by local authorities and in refugee camps by UNRWA. However, the services provided were not efficient. Attempts in the past few years to improve the collection process in many urban areas included the purchase of extra collection containers and special vehicles including roll-on and mechanical compaction trucks. The daily amount of collected solid waste was estimated at 720 to 800 tons in all urban areas of the West Bank. In general, garbage collected in urban areas was hauled to a nearby landfill. In some cases, these landfill sites had come to be adjacent to expanding residential and industrial zones. In a few areas there was no specified landfill; as a result, solid waste was being dumped over large areas and along roads, with an adverse environmental impact. In large rural communities, local village councils used tractors to collect solid waste periodically and transfer it to sites which were not usually specified according to zoning or environmental concerns. There was no classification of

different kinds of solid waste and, therefore, no recycling of specific materials. There were no plants for treating solid waste; the only treatment of solid waste was some on-site incineration.

108. With regard to another municipal service, namely, slaughterhouses, there were only 23 such facilities in cities and towns of the West Bank and the Gaza Strip. Most slaughterhouses were old and the slaughtering operations were performed manually. The Municipalities monitored the operations, employing veterinarians and meat inspectors in most cases, charging users small fees for the service rendered. Total annual livestock slaughtering was estimated at around 103,000 head, consisting mainly of sheep, goats and calves. There were no slaughtering facilities for poultry or fowl. Around 40 per cent of the registered slaughtering operations were performed in rural areas and in locations outside the municipal slaughterhouses. A number of expansion and modernization projects were under execution in some urban areas. The slaughterhouse of El-Bireh was the only one that had treatment facilities for liquid waste, including blood. The modernization projects for the slaughterhouses included installation of mechanical slaughtering equipment. However, they continued to lack refrigeration facilities and refrigerated vehicles for transporting meat.

109. As regards municipal wholesale markets, these were located in a number of large towns considered to be regional centres. The biggest of these was in Nablus, with an amount of product turnover of around 200 tons daily. Markets were owned and administered by the municipalities which charged a specific percentage of the value of the product for the services provided. Some of the old municipal markets were being expanded to meet the increasing demand for this facility, such as those in Nablus and Tulkarem, while some others had been just constructed, such as those in Bethlehem and Deir El-Balah. However, all markets with the exception of the one at Halhul lacked modern facilities including refrigerated storage and mechanical handling equipment.

110. Public safety services, including fire-fighting, rescue and emergency operations, were rendered in many towns by specialized departments of municipal councils, which also served the nearby smaller towns and villages. Public-safety services departments employed personnel trained to an acceptable level and utilized specially equipped vehicles for carrying out operations. However, some vehicles and other equipment were old and out of service, thus affecting quality and efficiency. The departments lacked adequate emergency vehicles and special rescue equipment.

K. Construction and housing

111. Construction (classified in national accounts series to include water and electricity works) was considered as the leading sector in terms of real growth achieved over the past 25 years. Its share in domestic production had doubled from 9 per cent in 1972 to 18 per cent in 1987, equivalent to some $300 million. This contribution slightly trailed that of the agricultural sector but was almost double that of the industrial sector. Equally important gains were seen in its share of domestic employment, albeit a trend that had begun to stagnate since the early 1980s. The number of persons employed in

the construction sector in the occupied territory increased from around 11,000 in 1980 to about 17,000 in 1989. These figures represented around 7 per cent and 10 per cent of the total local labour force, respectively, in the same years.

112. This growth had been fuelled by high investments in the residential building required to meet the growing need for housing and was financed mostly by earnings and transfers from abroad. During the period 1980 to 1987, the contribution of the housing sector to gross domestic capital formation rose from around $300 million to $450 million, representing an average of around 72 per cent of total gross domestic capital formation. Since 1987, the construction sector had undergone a sharp decline in output, because of Israeli restrictions, disruption of the socio-economic life of the territory and a decline in remittances and private transfers.

113. The housing situation constituted one of the most serious economic and social problems confronting the Palestinian people in the West Bank and the Gaza Strip since the Israeli occupation. The annexation of east Jerusalem and the continuous expropriation of land and other resources, coupled with severe restrictions on land use, had been detrimental to the proper development of the housing sector. As noted in other areas, occupation had also deprived the Palestinian people of the opportunity to establish and develop institutions capable of, and responsible for, the planning, implementation and management of housing activities throughout the occupied territory. In addition to depriving Palestinians of badly needed dwellings, Israeli restrictions on the development of existing construction industries and the establishment of new ones, especially with respect to construction materials, had increased dependence on the Israeli market and had limited local employment opportunities.

114. While only minimal public investment had been made in the housing sector during the early years of occupation, mostly aimed at relocating some families out of crowded refugee camps in the Gaza Strip, severe restrictions had been imposed on the transfer of funds into the territory and on the establishment and development of local banking and credit institutions to finance housing projects. As a result, the Palestinian housing sector has been characterized by high occupancy densities and inadequate facilities and infrastructure. It was estimated that around one third of all Palestinian households had occupancy densities exceeding 3 persons per room, and that more than 6 per cent of all households had densities exceeding 5 persons per room. Around one quarter of all households had no running water, one fifth had no electricity and over one third had no toilet facilities. To redress the gradually deteriorating situation over the past decade, residential construction had been intensified, accounting for around 80-85 per cent of all construction, almost entirely carried out privately by individuals or real estate developers.

115. Basing calculations on the average pre-1967 population of the West Bank and the Gaza Strip, and assuming an average annual net population growth rate of 3 per cent since 1967 for each of Nablus, Jerusalem and Hebron districts and 3.5 per cent for the Gaza Strip, the total 1990 population may be estimated at approximately 2,265 million (669,000 in the Nablus district,

584,000 in the Jerusalem district, 239,000 in Hebron district and 773,000 in the Gaza Strip). These estimates diverge substantially from official Israeli data, which underestimate the actual resident population.

116. According to these higher unofficial population estimates, the average national population density was 367 persons per square kilometre in 1990 in the occupied territory. The highest density was in the Gaza Strip at around 2,112 persons per square kilometre, followed by Jerusalem district at 277, the Nablus district at 268, and Hebron district at 222 persons per square kilometre. Much higher densities were evident in the major urban centres: 21,000 persons per square kilometre in east Jerusalem, 13,900 in the Gaza, 11,900 in Nablus, 11,700 in Tulkarem, 8,100 in Hebron and 7,500 in Ramallah/El-Bireh.

117. With the exception of a few relatively large cities, the population of the four districts was generally distributed among a large number of communities with relatively small populations. In addition, a significant proportion of the total population, especially in the Gaza Strip, still lived in refugee camps. According to the above estimates, around 43 per cent of the population lived in urban areas, 5 per cent in semi-urban, 35 per cent in rural and 17 per cent in refugee communities. In the Nablus district, urban and semi-urban communities accounted for about 32 per cent, rural communities for about 59 per cent and refugee communities for about 9 per cent of the district's population. In the Jerusalem district, urban and semi-urban communities accounted for about 58 per cent, rural communities for about 35 per cent and refugee communities for about 7 per cent of the district's population. In the Hebron district, urban and semi-urban communities accounted for about 50 per cent, rural communities for about 46 per cent, and refugee communities for only about 4 per cent of the district's population. In the Gaza Strip, urban and semi-urban communities accounted for about 56 per cent, refugee communities for about 35 per cent, and rural communities for about 9 per cent of its population.

118. The housing stock in the West Bank and the Gaza Strip was not homogeneous, but varied according to geographic location and type of community. Nevertheless, overcrowding was a common phenomenon. Density was high in all communities. This phenomenon was not confined to refugee camps, but also affected low-income families in most towns and villages. The solution was generally to expand existing buildings, rehabilitate abandoned buildings and construct new ones. The core sections of most Palestinian towns and villages contained buildings which had been partially or completely abandoned, mainly owing to their deteriorating condition. In the refugee camps, a large number of buildings had been abandoned either because of mass emigration that took place during the 1967 war (particularly from the camps in the Jordan Valley) or as a result of the improved income levels of some camp residents. In addition, some of the major towns contained a significant number of partially or completely vacant buildings whose owners were either unwilling to rent them at the prevailing low rates or preferred to keep them for their own use or for their family in the future. A recent survey of 55 towns and villages had revealed that abandoned buildings accounted for around 6 per cent of the available housing stock in small villages and 8 to 12 per cent in larger villages and towns.

119. In recent years, increases in population coupled with rapidly deteriorating economic conditions had encouraged many families in urban, rural and refugee communities to resort to the rehabilitation and upgrading of abandoned or old buildings or the expansion of existing buildings, both vertically and horizontally. Upgrading took place both inside and outside the core areas of towns and villages and involved interior and/or exterior work. The characteristics of new buildings varied depending on location, socio-economic conditions and zoning regulations. In the West Bank, especially in cities and urban areas, new residential buildings were in the form of detached and semi-detached houses, or apartment buildings. The basic construction materials were reinforced concrete with stone facing. New buildings were generally connected to all available services and infrastructure such as roads, water, electricity and sewage systems. In rural towns and villages, however, construction was mostly of cement blocks and/or reinforced concrete. Many villages lacked basic utilities such as water, electricity and sewerage. In the Gaza Strip, new construction was mostly of cement block and/or reinforced concrete. Multi-storey buildings predominated, especially in Gaza, as a result of the scarcity of the land and the high population density.

120. Ownership of housing units also varied with the type of community and, to a lesser extent, with geographical location. Around 80 per cent of all housing units, excluding those in refugee camps, were owner-occupied. In the West Bank, owner-occupied houses accounted for some 80-85 per cent of all housing units. However, in urban areas, the proportion of owner-households was estimated at around 70 per cent, while it might reach 90 per cent in rural towns and villages, reflecting the limited rural land market and the tendency of the rural population to hold onto property for economic and social considerations. In the refugee camps, the status of ownership of dwellings was not clearly determined. Although housing units in the camps were generally considered as temporary shelter constructed on land leased by UNRWA, it was not unreasonable to assume, for all practical purposes, that these units were owned by their residents as long as the final status of the refugees had not been determined.

121. Building materials constituted the single largest input to construction and accounted for 40 to 50 per cent of the total cost and for as much as 80 per cent of the direct cost of housing construction. While some of the basic building materials were produced locally, a large proportion of basic items such as Portland cement, structural steel, aluminum, lumber and glass were at present only available through import channels, mainly from Israel.

122. Lack of institutional finance was considered to be a major impediment to meeting the housing needs of a growing number of Palestinian people. There was no adequately staffed and experienced financial institution capable of mobilizing local savings or funds from other sources and allocating them to housing. The only institutions which had been involved in various levels of housing development activities were the housing cooperatives and real estate enterprises. During the first half of the 1980s activities in the cooperative housing sector had increased as a result of the policy adopted by the Jordanian-Palestinian Joint Committee (JPJC) which placed housing at the top of its aid priorities. However, while over 100 housing cooperatives were formed and registered with the Jordan Cooperative Organization (JCO) in Amman,

only 43 of these cooperatives had obtained housing loans through the JPJC and the Jordan Housing Bank. Cooperative housing activities had ceased almost entirely after 1986 when the flow of JPJC funds effectively came to a halt. Of 1,415 units started under the JPJC programme, only some 450 to 500 units had been completed and occupied; the rest remained uncompleted owing to lack of funds or building restrictions.

123. In recent years, real estate development activities, including the construction of multi-apartment residential buildings for sale or rent, had emerged in the larger urban centres such as Nablus, Ramallah, East Jerusalem, Bethlehem, Hebron and the Gaza. These activities had been carried out by individual investors, informal partnerships or real estate development companies. However, inadequate housing finance continued to act as a limiting factor. The activities of the recently reopened branches of the Cairo-Amman Bank had been restricted to the West Bank, excluding east Jerusalem, while those of the Bank of Palestine were limited to the Gaza Strip. Neither of the two banks had any significant activity in the area of housing or real estate finance. The few small-scale credit institutions created in the past few years, although involved in extending limited working capital for agricultural and industrial projects, had no activity in the housing sector.

124. In general, in addition to the numerous constraints confronting the housing sector, housing development had also been adversely affected by a number of endogenous factors including the absence of a national housing strategy, inadequate planning and management of housing construction activities, and lack of adequate coordination among existing housing institutions and between them and potential donor agencies. Another constraint was the absence of regulating and guiding agencies at all levels. The municipal and village councils which, despite all their limitations, represented the only elements of indigenous Palestinian government, were neither sufficiently experienced nor qualified to plan, direct, implement or manage public housing programmes. Most of the housing cooperatives and associations were likewise poorly equipped to engage in effective housing activities. The experience and capacity of consulting and contracting engineering firms were generally inadequate for the requirements of the housing sector, owing to the limited operations of the past years. An additional constraint was the limited availability of basic building materials and other inputs, a large proportion of which were imported.

125. The lack of adequate and appropriate building codes, regulations, and standards represented another constraint for any large-scale housing construction undertaking. Existing codes and regulations had either been replaced by Israeli regulations reflecting other considerations or had not been updated for three or four decades and were thus in need of extensive review and modification to improve their efficiency and compatibility with the new requirements.

L. Transport and communications

126. With regard to transport and communications, it was noted that Israeli plans and policies regarding this sector since 1967 had been aimed at achieving the following objectives:

(a) Serving Israeli settlement policies, and establishing settlements throughout the occupied Palestinian territory, thus facilitating eventual annexation policies. This was evident in the construction of major north-south and east-west networks of roads, in addition to building settlements on both sides of the roads and concentrating on linking settlements with each other and with Israeli cities. At the same time, the Israeli Transport Ministry, through the Israeli public bus company, had systematically oriented bus routes and schedules to serve and connect settlements in the occupied territory with cities and industrial areas inside Israel.

(b) Providing all Israeli settlements in the West Bank and the Gaza Strip with automatic telephone exchanges. This was done regardless of the number of inhabitants of these settlements and despite the fact that 90 per cent of the neighbouring Palestinian villages through which the telephone lines passed were still without any telephone service or even a single telephone line. This also applied to all kinds of postal services.

(c) Serving Israeli security considerations which had taken different forms, ranging from the selective extension of limited transport and communication facilities aimed at promoting the pro-Israeli "Village Leagues" (in the early 1980s), to the closure of main roads for long periods of time, or cutting all telephone links as a form of collective punishment.

127. Responsibility for the administration and development of transport and communication in the occupied territory had been entrusted to an Israeli military officer working under the direct supervision of the Head of the Israeli Civil Administration, which in turn functioned under the direction of the Israeli Defence Ministry. In reference to east Jerusalem, it was noted that Israeli laws had been in operation there since its annexation in 1968. As such, transport and communications were controlled and operated under military orders issued by the officer concerned as was the case in all other sectors. These military orders constituted either provisions of and/or changes to the Jordanian laws which were in force in the West Bank before 1967, or formed additions to them, along with new regulations, as deemed necessary by the officer. So far, more than 100 military orders had been issued concerning both transportation and communication sectors. In addition, many administrative directives were issued to bring all related Jordanian laws in line with the occupation authorities objectives.

128. Authority for the provision of telephone lines and communications facilities was vested in the Israeli telecommunications company, which in turn received its directives regarding activities in the territory from the officer for transport and communications. Accordingly, all existing Palestinian communication networks had been connected to the central communication exchanges in major Israeli cities. The intention behind such a move was perceived as being to maintain direct control and to develop a monitoring system of all Palestinian communication systems for Israeli security concerns. During the first year of the uprising, the Israeli authorities had cut all telephone connections between the occupied territory and the outside world, as a "security" measure. The long waiting time before new telephone lines could

be installed in Palestinian houses and localities was another characteristic of the situation; applicants often had to wait for years before getting a telephone line, if at all.

129. It was noted that there were no radio or television stations in the West Bank and the Gaza Strip; nor was there a telecommunications authority or institution. The Israeli authorities held control of the transmission centre built prior to 1967 in Ramallah (West Bank), now part of a military compound and out-of-bounds, to all Palestinians. Palestinians thus became dependent on neighbouring countries (Israel, Jordan, Egypt, Syria and Lebanon) for all television and radio transmission.

130. It was stated that the Israeli authorities had intentionally avoided the development of the transport network in the occupied territory by decreasing the budgetary allocations. In certain years, allocations had amounted to only a few thousand dollars, not enough to cover the maintenance cost of even a portion of the network. It was reported that the authorities had tried to impede or prohibit efforts by individuals, local and foreign NGOs to develop this sector by imposing high customs duty on imported transport vehicles, high registration fees and a package of combined taxes (duties, income and value added taxes). The overall policy had succeeded in slowing down the pace of development of the transport branch, turning it into an export market for second-hand Israeli public transport vehicles. These measures had resulted in raising the cost of transport services. The situation was further aggravated by the absence of any Palestinian publicly owned transport system to operate throughout the territory and satisfy the growing needs of the population at reasonable prices. In the transport branch, all bus routes and vehicles, shared taxis, and the movement of goods and vehicles were owned, operated and managed by the private sector where costing, pricing and financing considerations were daunting under conditions of occupation.

131. It was further pointed out that the Israeli authorities had been indifferent to promoting, developing, or even improving the road network in occupied areas where no Israeli settlements had been constructed. This indifference had led to the deterioration of the conditions of many local roads, rendering them hazardous to traffic. Lack of maintenance meant continuous deterioration of the roads. Farm and rural roads had been totally neglected by the authorities, forcing farmers to make simple improvements on these roads themselves or to seek financing from abroad towards the costs of repair and maintenance.

132. It was recalled that the Israeli authorities had closed down the Gaza harbour at the outset of occupation: a small fishery dock now operated in its place. Jerusalem international airport (at Kalandia) was occupied, controlled, and managed exclusively by the Israeli airport authorities in cooperation with the military authorities, presently serving Israeli civilian and military aviation needs. As a result, the airport was considered as a strategic facility and thus remained off-reach to Palestinians.

M. Energy

133. As regards the energy sector in the West Bank and the Gaza Strip, it was stated that most of the territory's needs were being met from Israeli sources.

Electricity, as the dominant form of energy, was mostly supplied through the Israeli network. Less than 5 per cent of electricity was generated locally. While many villages still had no electricity supply whatsoever a number of villages in the northern and southern parts of the West Bank depended on local generating units supplying electricity mostly for domestic use but only for a limited number of hours each day.

134. The major Palestinian producers of electricity, including the JDEC and several municipalities, had gradually been forced to link up with the Israeli grid and purchase electricity from the Israel Electric Corporation (IEC). Palestinian producers of electricity had been restricted in developing their own power stations, and were not allowed to expand their installed capacity or maintain them. Only around 10 per cent of distributed electricity was absorbed by industry and about 5 per cent by the agricultural sector (for pumping water from wells), while the rest was consumed for household and municipal (lighting) purposes.

135. It was estimated that around 95 per cent of urban population enjoyed continuous electricity supply. In the rural areas, however, only around 45 per cent of the population had continuous supply, while about 40 per cent was supplied with electricity for a few hours a day and the rest lived without electricity. About 290 villages had some sort of electricity distribution network. Around 33 per cent of the villages were supplied with electricity from the JDEC, 4 per cent from Nablus municipality, 16 per cent from the IEC and 28 per cent from local generators, while around 19 per cent of the villages were partially serviced by generators which were privately owned and operated.

136. In the Jerusalem district, JDEC, which had a concession over the entire district, was obliged to link up with the Israeli grid in 1972. Owing to the company's inability to meet the increasing demand as well as technical and financial problems, production of electricity was discontinued in 1988. Currently, the company had been purchasing all its requirements from the IEC and supplied all the villages in the district. In the Nablus district as well as in Tulkarem and Jenin, the municipalities producing electricity had equally been obliged to link up with the Israeli grid. Although the Nablus municipality had been purchasing electricity from the IEC since 1984, the municipality had nevertheless succeeded in the struggle to keep its local generating plant in operation.

137. It was noted, however, that the growth of the electricity load during the period 1967 to 1987 - covering household, commercial and industrial uses - was in proportion to the rate of increase in population as well as technological, industrial, agricultural and commercial developments. With the beginning of the Palestinian uprising, the disruptions in all aspects of daily life were also felt as regards the supply of electricity. Reduced household, industrial and commercial consumption in 1988 and 1989, as well as interruptions of supply by the Israeli authorities appeared to have caused falls in electricity supply. Accordingly, while the yearly electricity load measured in mega-volt-amperes (MVA) in the Jerusalem District had peaked at 106 MVA in 1987, it fell to under 80 MVA for the period 1988-1990. Similarly, in the Hebron region, the load peaked in 1987 at 13.1 MVA, only to fall to 10.8 MVA by 1989. In other areas, while the supply of electricity continued to grow

after 1987, the rate was significantly slower than during the first half of the 1980s. On the whole, electricity supply to the West Bank and the Gaza Strip had declined from some 170 MVA annually in the early 1980s to between 125 and 130 MVA during the period 1988-1990.

138. Other conventional sources of energy, especially fuel for household, transportation, industrial, agricultural and other uses, were directly imported from Israel. According to available data for 1991, the average annual consumption of fuel extracts was 145 tons of various types, distributed as follows: benzene 91, 96 (42 per cent); diesel (31 per cent); liquid gas (20 per cent); kerosene (4 per cent); heavy oil (2 per cent); and, other extracts (1 per cent). Four Israeli companies were responsible for delivering fuel to their retail agents within the West Bank and the Gaza Strip. Recently, the four companies had been combined into one company under the trade name of "Padesco" to administer fuel distribution in the West Bank and the Gaza Strip.

N. Population

139. With regard to social aspects of development, an analysis of population growth up to the eve of Israeli occupation revealed that both the West Bank and the Gaza Strip had constituted pull and push areas throughout their recent history since 1948. For example, as a result of the events of 1947-1948, both areas received the largest proportion (66 per cent) of Palestinian refugees. 5/ Thereafter, however, both areas "pushed" much of their population abroad as a result of the very limited development prospects in terms of socio-economic conditions. Thus, the only source of population growth, in both areas, has been the very high rate of natural increase; it also represented the only source of replacement for emigrants who left during this period. This was a result of the high fertility and mortality levels. Expressed otherwise, it was the outcome of the low levels of socio-economic development including, of course, the state of health services.

140. The population age structure in the occupied territory was very young, with nearly half the population below the age of 15, a reflection of the high fertility level. This profile has raised the crude dependency ratio to well over two dependents for every person of working age. In the West Bank, the proportion of children in the population was about 45 per cent in 1961; it increased to 48 per cent in 1967 then dropped to 47 per cent by 1987. In the case of the Gaza Strip, this proportion increased from 48 per cent in 1967 to nearly 49 per cent in 1987.

141. In both the West Bank and the Gaza Strip, fertility remained high, showing very little change over the years. In both areas, up to the present the crude birth rate had remained well above 40 per 1,000. The total fertility rate remained high at seven or more. The percentage decline in the crude birth rate was nearly 12.5 per cent in the West Bank, as against 9.3 per cent in the Gaza Strip, during the period 1976-1985. The total fertility rate declined by only 6.4 per cent during the period 1961-1986 in the case of the West Bank. Mortality rates appeared to have fallen more rapidly than those of fertility. According to Israeli data, crude death rates in both areas declined by about 71 per cent during the period 1968 to 1987, from 20 to 6 only, and infant mortality rates were estimated to have fallen

from 150 before 1967 to 70 in the early 1980s or some 53 per cent. Higher infant mortality rates in both areas, as estimated by other researchers, were 88.5 per 1,000 in Khan Yunis area in 1985, and 81 per 1,000 in the refugee camps of the West Bank in 1986.

142. It was noted that over the entire period 1968-1987, the natural rate of increase was very high among the Palestinians in the territory, averaging around 34.7 per 1,000 in the Gaza Strip and 30.4 per 1,000 in the West Bank. The trends pointed upward, increasing from 13.4 in 1968 to 41.7 in 1987 in the Gaza Strip, and from 22.3 to 34.2 in the West Bank. At the same time, the net migration rate from occupied territory had declined in the last few years, because of the impact of the recent regional crisis on the emigration and employment of Palestinians abroad.

143. Of the several factors affecting demographic trends in the occupied territories, the most important was the very limited change in the socio-economic conditions. Developments had been insufficient to produce any significant fertility decline, for example. In addition, the impact on social attitudes of the demographic conflict with Israeli settlers after 1967 had in fact delayed fertility decline among the Palestinians of the West Bank and the Gaza Strip. The fact that the population structure had not changed significantly implied that for women, as for the family generally, high fertility and rapid growth were still perceived as a source of power. Hence, the large family could persist and any transition to small family size might be a long, much delayed process. Furthermore, selective emigration of well-educated people - a group normally having lower than average fertility and mortality - had played a role in maintaining overall high fertility and mortality rates. Economic difficulties in the occupied territory since 1967 formed another factor in producing relatively high levels of fertility, mortality and emigration. The infant mortality rate, as a critical factor in overall mortality and an indicator of health status, was still very high.

O. Labour and employment

144. With regard to labour and employment, it was noted that despite the steady emigration of Palestinians from the West Bank and the Gaza Strip since 1967, the size of the labour force in the two areas had nevertheless increased from 188,600 workers in 1970 to 321,000 in 1989, a total increase of 132,400, or an equivalent of 70 per cent of the labour force in 1970. This amounted to an average annual increase of 3.7 per cent. However, the labour force participation rate was somewhat lower in these areas compared to developing countries, despite the fact that it increased in the West Bank from 15.9 per cent in 1968 to 20.7 per cent in 1989 and in the Gaza Strip from 10 per cent to 17.9 per cent during the same period. The low participation rate reflected a rise in the number of dependents (per member of the labour force), amounting in 1989 to 4.8 persons in the West Bank and 6 persons in the Gaza Strip, a development which also reflected a reduced crude activity rate of the labour force.

145. The distribution of the Palestinian labour force by age depicted a youthful structure. In 1989, 71.8 per cent of the labour force in the West Bank and 72.3 in the Gaza Strip consisted of workers between the age of 15 and 34. On the whole, labour-force concentration had grow steadily in

cities, where the urban labour force accounted in 1989 for 45.2 per cent and 48.2 per cent of employed workers in the West Bank and the Gaza Strip, respectively. Of the rest, 37.5 per cent was engaged in rural areas in the West Bank and 17.3 per cent in the refugee camps. In the Gaza Strip, the percentage of the labour force employed in refugee camps was almost as high as that working in cities, i.e., 47 per cent, followed by rural areas with only 4.6 per cent.

146. It was stated that the growing weakness of the domestic economy had forced an increasing number of semi-skilled and unskilled workers to be absorbed on a daily basis in the low-paid sectors of the Israeli economy. In 1987, this number had reached a figure of 129,500 workers or 42.4 per cent of the total labour force in the West Bank and the Gaza Strip. The majority of these workers were employed in the Israeli construction sector, followed by agriculture, industry and a variety of low-paid personal services branches. While an increasing number of these workers went through the official employment channels, many did not apply for jobs through the employment offices, thus weakening their bargaining power and overall level of wages and legal protection. They also became more vulnerable to exploitation and dismissal at any time and were deprived of social security and other benefits to which they contributed.

147. On the whole, it was noted that given the weak absorptive capacity of the Palestinian economy and the absence of any bargaining power of Palestinian labour unions vis-à-vis Israeli employers (as these unions were not recognized by Israel), the Palestinian labour force remained vulnerable to external developments and had suffered from growing unemployment and its undesirable consequences on the economic and social situation of the Palestinian people in the West Bank and the Gaza Strip. Such a disorganized employment situation, whether in the oil-producing countries or in Israel, was liable to sudden disruptions as had been seen recently in the wake of the Middle East crisis and since Israeli employers had begun to replace Palestinian workers with new immigrants from the former Soviet Union and eastern Europe.

148. Another drawback of the labour and employment situation in the West Bank and the Gaza Strip was that official Israeli statistics had often underestimated the Palestinian unemployment rate. For example, while the unemployment rate was estimated in 1989 by Palestinian sources to be 22 per cent in the West Bank and 17 per cent in the Gaza Strip, Israeli statistical sources had estimated these rates to be 4.4 per cent and 2.5 per cent, respectively. These rates had increased significantly as a result of the job replacement policy followed by Israel since 1990, and the concurrent return of many Palestinians from Kuwait and other oil-producing countries.

149. The education system was considered to have contributed to the present state of affairs: education programmes were geared and responded to external needs. The real domestic needs of the Palestinian economic and social sectors held secondary importance, with increasing restrictions being imposed by the Israeli occupation authorities. Weaknesses inherent in the Palestinian education system, whether related to curricula, facilities, teacher training, finance or other causes, had all led to a distortion and imbalance in the present labour market in the West Bank and the Gaza Strip. This was reflected

in increasing structural unemployment. A radical reform of the education system at all levels was necessary, geared to serving primarily the growing and changing needs of the Palestinian economic and social sectors.

P. Women and development

150. As for the important role that Palestinian women were expected to play in the process of development, it was noted that despite the social and political transformation of the Palestinian society, legal provisions governing the position of women in the occupied territory had not changed much since 1967. The only exceptions had been a few measures taken by the occupation authorities in favour of Palestinian women, such as the recognition of personal status, and Military Order 627 of 1976 giving women the right to vote and become candidates for municipal posts. Jordanian laws promulgated before 1967 were still in force. Some of these laws had been introduced as far back as 30 years ago, such as those dealing with the employment of women and charitable organizations. They remained in force despite some initiatives taken by Palestinian women themselves to introduce changes.

151. It was affirmed that while this state of affairs could be partly explained by the deep-rooted social and cultural aspects of a traditional society, total neglect of actively advancing the situation of women, accompanied by a range of restrictions imposed under 25 years of occupation, had also contributed to preserving outdated traditions and attitudes concerning the role of women. In fact, the reality in which Palestinian women lived today stemmed from the interaction of the conflicts generated internally between men and women as a result of an inequitable social order, on the one hand, and the problems resulting from a struggle against occupation and the constraints imposed by that occupation, on the other.

152. Palestinian women attempted in the 1970s to fill the gap in some essential social services by establishing charitable organizations (involved in the running of nursery schools, blood transfusions and ambulance services and other activities). However, the occupation authorities' policy since 1981 had been to restrict the establishment of such organizations because some were suspected to be fronts for "subversive activities". As a result, Palestinian society has been deprived of these essential services where the female population proved to be effective, both in self-mobilization and in collecting charitable contributions from various external sources. Nevertheless, the situation had not deterred Palestinian women from taking an active role in their society since the uprising, being motivated to fill the gaps in areas where social services have been lacking. A number of "work committees" were launched in the mid-1980s by a new generation of women appealing to women in all walks of life. A series of projects had been initiated to benefit women in such areas as literacy, small-scale economic production, vocational training, nurseries, kindergartens and health. Based on the experience gained, these popular committees subsequently moved into other important areas, namely agriculture, education, food storage, and medical services.

153. Despite these achievements, the role of women in economic activities had remained limited, owing to the basic considerations indicated above. Traditional attitudes still prevailed, inhibiting greater participation of women in economic activities. This situation had been slowly giving way,

primarily owing to Israeli measures, such as deportations and imprisonments as well as migration of men in search of work abroad. Women were thus obliged to seek and take up low-paid employment as workers whether in the territory or in Israel. The frustrations, emotional deprivation, physical and psychological humiliation, as well as destruction of the paternal image also placed severe psychological stress on Palestinian children and adolescents. These factors have resulted in a significant increase in psychopathology such as personality disorders and delinquency which, not only entraining personal psychological disturbances, have also had a feedback effect on the entire family. Since it is traditionally the mother who retains important domestic and familial responsibilities, these disturbances have placed additional stress, responsibilities and challenges on mothers and other family members, who have generally not been prepared or able to cope with such behaviour.

154. The above developments did not depict a systematic approach to effectively mobilizing Palestinian women at all levels and enhancing their potentials and contribution to the process of economic and social development. Human resources development programmes and activities in the West Bank and the Gaza Strip need to accord priority to this neglected but vital dimension of Palestinian society.

Q. Public health services

155. It was noted that despite some improvements in health conditions, public health services, in general, had remained inadequate. These services had suffered a considerable degree of distortion owing mainly to increasing restrictions imposed on the development of health services, whether rendered by the Israeli Government, Palestinian non-governmental organizations or private institutions.

156. Regarding primary health care services, about 400 clinics in the West Bank and around 70 in the Gaza Strip were currently serving the population of these areas. The type and quality of such services varied. Moreover, their stability and continuity depended heavily on the generation of external financial resources. This posed a serious problem regarding delivery of adequate health care services to the population. The distribution of primary health services was skewed in favour of the centre of the West Bank, leaving regions in its northern and southern parts and in the Gaza Strip in a relatively disadvantaged situation.

157. As for secondary health care services; Israeli authorities operated eight hospitals in the West Bank and three in the Gaza Strip. The Palestinian non-governmental sector operated 13 hospitals in the West Bank and 1 in the Gaza Strip. In total, 21 hospitals served the West Bank and 4 served the Gaza Strip. A high concentration of hospitals in the central area dealt with primary health services. The average ratio of hospital beds/population was 1.4/1,000 in the West Bank and 1.2/1,000 in the Gaza Strip. On a regional basis, the proportions varied considerably, with Jerusalem having a ratio of 3.4/1,000, while in Jenin it was 0.45/1,000. This low hospital bed/population ratio had dropped even lower over the years, indicating an increasingly serious problem in the delivery of secondary health services.

158. Specialized services in these institutions continued to be weak, with major/basic specialties lacking. Meanwhile, the costs of both primary and secondary health care services had been rising over the years, making it harder for the population to afford health services. Other infrastructural facilities such as laboratories, pharmacies and diagnostic centres were concentrated in the centre and some urban areas. They were operating with minimal quality control and planning to fulfil priority needs. The large majority of these services operated within the private sector.

159. Regarding rehabilitation services and geriatric care, it was noted that the 63 institutions serving the disabled in the West Bank and the Gaza Strip mostly provided shelter or secondary health care. Although new attempts at instituting community rehabilitation projects had recently been made, there were still no rehabilitation services. A similar situation prevailed with regard to geriatric services: shelter being the predominant mode, services to old people in their homes were almost totally lacking.

160. With regard to manpower, the health care sector was severely handicapped. There were about 1,200 physicians working in the West Bank and an estimated 400 or 500 in the Gaza Strip. The physician/population ratio was relatively low, at 11/10,000 for the West Bank and 10/10,000 for the Gaza Strip. At least 40 per cent of the registered physicians in the West Bank were working in the central area. Only 14 per cent had full specializations and had passed the Jordanian Specialty Board Examination. Of the 782 physicians with known places of employment in the West Bank, 22 per cent worked within the government public health sector. A total of 1,550 nurses worked in the West Bank and 950 in the Gaza Strip. The nurse/population ratio was similarly low, standing at 3.3/1,000 for Jerusalem and only 0.4/1,000 for Jenin. Overall, the ratio was 1.4/1,000 in the West Bank and 1.5/1,000 in the Gaza Strip, a seriously deficient ratio that continued to be a major impediment to the further development of health services in the area. Only 6 per cent of nurses in the West Bank and 1.4 per cent in the Gaza Strip had specialized training, making the issue of nursing specialization a clear priority area for action.

161. Para-professional staff, such as dentists, pharmacists, radiologists and medical technicians practised mostly within the private sector. There were 310 pharmacists, 275 dentists, 80 laboratory technicians and 26 radiologists in the West Bank. It was hard to evaluate the quality and quantity of their work as a system of legislation, guidelines, evaluation and monitoring of such professions remained minimal. Village health workers, were a newly emerging category. They had a potentially important contribution to make in the delivery of health services. With at least 200 village health workers already engaged in the field, much needed to be done in order to encourage their training and the development of their role as partners in the delivery of health services. In general, the training of health services staff, whether physicians, nurses or other professionals, remained an area for priority attention. In-service training, upgrading of existing staff and continuing education were the main problems to be tackled.

162. Continuity in budgetary resources was a major prerequisite to delivering adequate health services. The lack of continuous, adequate financial resources had thwarted long-term reliable health services provision to a

growing population. This was especially true of primary health services. Preventive services needed substantial amounts of resources as this was a new area that the Palestinian health sector had encompassed. Israeli policies and practices remained an important hurdle before Palestinians and their institutions could set guidelines, or plan and prepare adequate programmes, coordinate action, or finance, monitor and evaluate implementation.

R. Education

163. In the area of education, it was noted that the process of reform initiated in Palestine at the beginning of the century had continued in both the West Bank and the Gaza Strip up to 1948 and subsequently up to their occupation by Israel in 1967. Just prior to the Israeli invasion of the West Bank and the Gaza Strip in 1967, the reform of the schools had been achieved providing a complete cycle of 12 classes. It was a free and compulsory cycle of education with a curriculum designed by Palestinian and other Arab specialists, incorporating for the first time a national identity and its full Arab dimension.

164. Upon the occupation of the West Bank and the Gaza Strip, the education system and most other public services were briefly paralysed. However, work gradually resumed at all levels, accompanied by major changes introduced by the Israeli authorities. These included rearranging of the educational administrative structure, issuing new military orders to supervise the educational system, implementing many changes in the east Jerusalem education system after the city's annexation and the reconciliation of some educational issues in curricula and general examinations. A unique relationship emerged between the educational system of the occupied territory, on the one hand, and the occupying power, Jordan and Egypt, on the other. The Israeli authorities appointed military officers to replace the departments of all the corresponding ministries formerly found in the West Bank as part of the administrative structure of Jordan, including education which had been under the jurisdiction of the Jordanian Ministry of Education. The Education Department of East Jerusalem was removed to Ramallah following the annexation of east Jerusalem. However, the UNRWA educational system continued to operate as before with its headquarters and several schools remaining in east Jerusalem. In the Gaza Strip, the situation was similar. The general education administration was located in Gaza city, operating as before 1967 without major changes and headed by a Palestinian administrator under the supervision of the Israeli education officer.

165. It was pointed out that, in view of Palestinian resistance to Israeli interference in their educational system, the occupation authorities preferred to allow continued contacts with the two concerned Arab parties, that is Jordan and Egypt, regarding the curricula and examinations, but under Israeli supervision and agreement. Accordingly, many changes in the educational system concerning curricula, general examinations, and educational levels were introduced in line with changes in Jordan and Egypt and with the approval of the Israeli educational officer. To date, secondary level general examinations were conducted in both the West Bank and the Gaza Strip according to the Jordanian and Egyptian systems, respectively. Changes in textbooks continued to be introduced in the occupied territory, but subject to censorship by the Israeli authorities.

166. During the past 25 years of occupation, Palestinian population growth in the occupied West Bank and the Gaza Strip had necessitated the establishment of an increasing number of schools and classes. The number of students in the West Bank (excluding east Jerusalem) increased from 142,216 in 1967/68 to 330,767 in 1990/91. The number of classes increased from 4,402 in 1967/68 to 10,048 in 1990/91 with the average number of students per class ranging from 32 to 34. The number of schools increased from 821 in 1967/68 to 1,321 in 1990/91. In the Gaza Strip, the number of students increased from 80,050 in 1967/68 to 179,554 in 1990/91. The number of schools increased from 166 in 1967/68 to 346 in 1990/91 with the average number of students per class ranging from 41 to 49.

167. The total number of Palestinian students in east Jerusalem was about 20,055 in 1968/69, increasing to 44,804 in 1990/91. The number of classes for all educational levels in east Jerusalem was about 532 in 1968/69, increasing to 1,404 classes in 1989-1990, with the average number of students per class ranging between 32 and 38. The educational system in east Jerusalem included UNRWA schools and private schools under Palestinian supervision. Public schools were under the direct supervision of the Israeli occupation authorities, represented by the Municipality of Jerusalem and the Ministry of Education. Most Palestinian students in Jerusalem were enrolled in UNRWA or private schools.

168. The number of community colleges (i.e., offering two-year post-secondary education) increased from 9 in 1968 to 23 in 1992. However, all the newly established community colleges were private, non-profit institutions; there had been no increases in similar UNRWA or public institutions during the 25 years of occupation, other than one public teachers' training college established in 1989 in Khan-Yunis. The total number of students in community colleges had increased from 1,970 in 1969 to 8,359 in 1990/91. All the increase had been in the newly established private and non-profit institutions, with almost no increase in the number of students in UNRWA and public-administered community colleges during the period. The number of female students enrolled in community colleges ranged between 40 per cent and 59 per cent of the students during the period. The community colleges offered about 50 majors in teaching and vocational disciplines, but the quality of training in many community colleges left much to be desired, excepting UNRWA which had higher standards and was supported by adequate building facilities, faculty qualifications and resources.

169. University education in the occupied territory had been launched in 1975 wholly as a local Palestinian initiative, with financial support from Palestinian and other Arab sources abroad. The West Bank had five universities including one in east Jerusalem. The Gaza Strip had one. They offered 30 major courses of study, distributed among 7 colleges including engineering, nursing, arts, education, commerce, sciences and Islamic studies. The number of university students had increased from 1,086 students in 1975/76 to 16,422 students in 1990/91. More than half of the students were enrolled in arts and humanities, largely owing to the tracking system of the secondary schools which limited opportunities for enrolment in sciences and technical schools. Moreover, Israeli restrictions on subsequent employment in many scientific and technical fields had curtailed the interest of students unless they aimed to seek employment outside the occupied territory.

170. The above figures reflected significant improvements in various aspects of education in the West Bank and the Gaza Strip, demonstrating the importance attached by the Palestinian people to their system of education and their determination to continue with the process of reform even under occupation. However, all the achievements had not been to the total satisfaction of the Palestinian people as they did not reflect their real aspirations, especially in terms of the optimal orientation and quality of their education system under occupation as compared to achievements up to 1948 and subsequently up to 1967. The Palestinian education system had been operating under severe constraints during the 25 years of occupation. Urgent efforts were needed to rectify these anomalies and put the education system on a course whereby it could meet the immediate needs of Palestinian society and provide a sound basis for the future education of the Palestinian people in their homeland. Among major problem areas:

(a) Numerous Israeli measures had been enacted throughout the 25 years of occupation affecting the Palestinian education system. These had included the collective and partial closures of educational institutions at all levels and sectors; imposing curfews for long periods; disrupting the educational processes; deportation measures; detention of students, teachers and other employees working in the education sector; restrictions on freedom of movement affecting teachers and students; restrictions imposed on extra-curricular activities; preventing the use of alternative educational models; using schools as temporary military posts; imposing restrictions on imports of educational materials and equipment; problems of taxation settlement regarding private and non-profit educational institutions; censorship imposed on textbooks, periodicals and other library reference material; measures against government teachers, including arbitrary dismissal, reduction of salaries and forcing teachers in government institutions to go on leave without pay; restrictions on permits to build educational institutions; restrictions on the number of students permitted to enrol in a specific school; and, restrictions on universities and colleges concerning the introduction of new fields of specialization;

(b) Shortages of various kinds were noted in all levels and stages of education, including insufficient schools, classes, library textbooks, audiovisual equipment, laboratories, furniture and other equipment. These shortages had severely curtailed the programmes and achievements of many schools and institutions and forced them to take remedial measures when possible. For example, 18 per cent of UNRWA schools in the Gaza Strip were obliged to use other schools in the evening because of shortages in facilities;

(c) General discipline in classrooms of secondary schools had been adversely affected by interruptions in regular schedules since 1988, especially onerous during examination periods;

(d) The inadequate qualifications of school teachers had been another drawback of the educational system. Many teachers in private and government schools needed upgrading and training programmes. About 72 per cent of schoolteachers had only secondary education or a two-year diploma, compared to 28 per cent with bachelor of arts degrees;

(e) In more than two thirds of the post-secondary schools, as well as the 23 community colleges and 6 universities, programmes were oriented primarily towards teacher training in arts disciplines, almost totally neglecting various branches of science and technology. This had the effect of depriving some of the productive sectors, such as agriculture, industry, commerce and others, of highly qualified technical manpower.

S. Public administration

171. It was stated that the Israeli occupation of the West Bank and the Gaza Strip in 1967 had marked a turning point in the evolution of the public administration system of these areas, unfortunately to the detriment of the Palestinian population. 6/ Israeli occupation policies had a more disruptive and far-reaching impact on the structure, orientation and performance of the three distinct branches (i.e., legislative, executive and judicial) of the Palestinian public administration system in the West Bank and the Gaza Strip than that of any other time in the history of these areas. The sense of relative continuity which had characterized the transition of authority in the past from one regime to another had disappeared. The Palestinian population was confronted with a totally new situation in which the public administration system as a whole had become a tool in the hands of the occupying forces in the battle that they had waged for the retention of the West Bank and the Gaza Strip and their increasing integration into Israel. Among the many Israeli policies which had adversely affected the executive branch in the occupied territory, four major ones were cited.

172. First the annexation of east Jerusalem by Israel, immediately following the 1967 war and the accompanying administrative division of the areas formerly under the jurisdiction of the governorate of Jerusalem. This had caused a major disruption in the lives of people living in the eastern part of the city and its environs who found themselves overnight subject to a new set of rules and regulations. Prior to Israeli occupation, east Jerusalem had been the administrative, economic, judicial and spiritual centre of the West Bank. Annexation had had a negative impact on the life of the Palestinian community.

173. The second important measure was the establishment of the Civil Administration in 1981. This step represented a division of duties between the Israeli military and the civilian authorities aimed at giving the military personnel more time to dedicate to security matters. However, the move was seen as having serious and significant political implications in that it sought to enable the different departments of the Israeli Government to take a more active and direct role in running the affairs of the Palestinian population in the occupied West Bank and the Gaza Strip, leading gradually to a de facto annexation of the areas under their control.

174. The third measure was the creation of the so-called "Village Leagues" in 1981. The Leagues were intended to offer an alternative to the existing town/village councils which were not viewed favourably by the occupation authorities. Despite the material and moral support given by the military authorities to this new structure, the scheme fell apart owing mainly to the opposition of the local population and, notably, the low calibre of people chosen to run the Leagues. The Israeli authorities, nevertheless, continued

to undermine the position of the municipal councils in spite of the fact that many of these councils had come into being as a result of the two major municipal elections in 1972 and 1976 which had been sanctioned by the Israeli Government.

175. Finally, a series of military orders either nullified or modified many articles in the Jordanian municipal and land laws. The ones which imposed restrictions on local councils in exercising their powers in land zoning and corporate expansion were the most disturbing. The orders appeared to be aimed at facilitating the process of building and expanding Israeli settlements in the occupied territory. The settlements were subject to Israeli laws, which were different from those applied to Palestinian towns and villages. They received all essential services and utilities from Israel and were exempt from the taxes imposed on the Palestinian community. Furthermore, as already mentioned, the settlements were granted the lion's share in the utilization of water resources in their vicinity while Palestinian farmers were often denied the right to use their own water resources for household use and/or for cultivating their lands.

176. As a result of these developments, grass-roots organizations formed within the local population as it attempted to compensate for the gaps created by the shortcomings of the existing official public administration system. These organizations provided a number of basic services, particularly in the fields of medical assistance, housing and agriculture, despite their limited resources in terms of money and manpower. The military government policy in this regard was not conducive to the growth and expansion of voluntary organizations, as witnessed by the bureaucratic red tape and slowness of granting official permits to these organizations. Many of the organizations lacked properly trained personnel to manage their operations in the occupied territory. This had a negative impact on their effectiveness in providing a viable alternative to the existing public administration system and filling the existing gaps.

IV. IDENTIFICATION OF NEEDS AND SPECIFIC MEASURES FOR IMMEDIATE ACTION

177. Following a thorough review of the situation that had evolved under 25 years of occupation, and bearing in mind the circumstances under which the Palestinian people were living, the participants examined a set of detailed recommendations calling for action in each of the areas outlined above. In order to ensure immediate action by both Israel and the international community, and by the Palestinian people themselves, the participants adopted, on a priority basis, the most feasible of these recommendations. Two main considerations guided the selection: to deal immediately with the most pressing needs; and to prepare the ground for systematic action required for achieving the long-term development objectives of Palestinian society. In adopting the recommendations, the participants stressed the following considerations:

(a) The adoption of any measure(s) for immediate action was aimed at alleviating the hardships endured by the Palestinian people and improving their present situation. These measures should not be construed as the ultimate developmental goals. Genuine development endeavours were predicated on the termination of occupation, the removal of all Israeli restrictions on

the right of the Palestinian people to make their own decisions with regard to their economy, its management and development, and, the return to Palestinian control of land, water and other resources, which had gradually been confiscated and controlled by the occupying power since 1967; and

(b) The national rights of the Palestinian people based on international legitimacy, including their right to self-determination, as expressed in the relevant resolutions of the United Nations, and translated into practical steps necessary for economic and social development. Thus, unless the Palestinian people attained authority over their resources and their management, as well as the right and effective power to take such decisions as a society would need in order to launch an active and comprehensive development programme, ad hoc efforts would remain partial, distorted and of only marginal service to the vital interests of the society.

A. Economic sectors and issues

178. In examining the immediate needs and corresponding measures required, it was noted that performance in a number of sectors suffered from a series of factors common to all. As such, instead of reiteratively examining each factor under each economic sector/branch, the participants decided to highlight specific issues relevant to the main economic sectors/branches such as agriculture, manufacturing, mining and quarrying, merchandise trade, services including tourism, money, banking and public finance. The detailed sectoral recommendations contained in the in-depth studies on these issues constituted a comprehensive set of policy measures and recommendations for action at various levels. The meeting identified the following six specific issues common to all economic sectors: (a) legal framework; (b) institutional framework; (c) marketing; (d) employment; (e) financing; (f) technical and financial assistance. Under each, urgent needs and measures were identified.

1. Legal framework

179. (a) In the light of the prevailing circumstances and continued Israeli measures affecting the lives and property of the Palestinian people, there was an immediate need to provide the Palestinian people, their economy and institutions with protection in accordance with international law and relevant United Nations resolutions. Urgent international action on the matter was needed;

(b) The numerous military orders issued since 1967 restricted all aspects of life. The Palestinian economy needed a new impetus to be relieved of these restrictions and to function under normal conditions. All orders that had distorted the structure and performance of the Palestinian economy should be cancelled. To this effect, the international community could encourage Israel to respect international legitimacy and to rescind its military orders;

(c) The legal framework that provided rules and regulations governing various aspects of the economy, especially taxation, programming and planning, protection of domestic industries, licensing, trading including labelling,

standardization, wholesaling and retailing should be restored in the occupied West Bank and the Gaza Strip and further developed to meet the immediate needs of the Palestinian economy.

2. Institutional framework

180. (a) There was a growing need for strengthening and developing existing Palestinian facilities in the West Bank and the Gaza Strip involved in the compilation, processing, analysis and dissemination of data on various economic aspects of the occupied Palestinian territory. At the outset, this necessitated identifying these facilities and developing, inter alia, training programmes to upgrade their technical capabilities in data gathering, processing and analysis. 7/

(b) Every effort should be exerted in the existing Palestinian database facilities to coordinate work on the development of strategies and methodologies for data collection, processing, analysis and dissemination, in order to optimize limited resources and avoid unnecessary repetition or contradictions.

(c) Some of the crucial sectors of the economy, such as industry, continued to suffer from a lack of information at the macro- and microeconomic level. There were no institutional facilities to fill the gap. Until a facility was created to meet the needs of this and other sectors, the task of data collection could be anchored in the Federation of Palestinian Chambers of Commerce and Industry and/or other relevant institutions. In this connection, international organizations could provide the Federation and others involved in gathering data with the necessary assistance, including the provision of hardware and software facilities and appropriate training programmes to enable it to satisfactorily carry out the task.

(d) The relevant organizations of the United Nations system and the League of Arab States and its specialized agencies should actively participate in supporting the activities of Palestinian research and other facilities involved in database development. In particular, these organizations could intensify their assistance by developing appropriate software and hardware systems and designing relevant training programmes aimed at building up a competent cadre in gathering, processing, analysis and dissemination of data. The ultimate aim of such assistance to existing Palestinian institutions and facilities involved in database activities should be to establish the framework of a central Palestinian facility for data collection, processing, analysis and dissemination covering all economic and social sectors in the West Bank and the Gaza Strip.

(e) There was an increasing need to improve the performance and efficiency of Palestinian research centres as well as scientific and technical institutions. These centres and institutions should coordinate efforts in that direction and avoid duplication and unnecessary competition, thus optimizing the benefits of the meagre resources available to them. The organizations of the United Nations system and regional institutions as well as universities and research centres in various countries could extend assistance aimed at developing Palestinian research facilities and upgrading

their technical capabilities. In this and other areas mentioned, the support of the international community was needed to prevent the intervention of Israeli authorities in the work of Palestinian institutions.

(f) Another vital area where the existing Palestinian institutions had been systematically closed down, thus depriving the people as well as economic and social sectors of their vital services, concerned money and banking. In particular, regarding the institutional aspect there was a need to develop and upgrade the managerial and technical capabilities of the existing limited banking and credit institutions.

3. Marketing

181. (a) Notwithstanding the existence of a number of institutions/facilities engaged in internal and external trade, the meeting noted that there was a growing need to establish and develop an adequate central facility capable of dealing with all aspects of the export sector. The current needs of the export sector were particularly pressing: Palestinian producers and exporters must be enabled to benefit from existing export markets and the concessions extended to the entry in these markets of certain Palestinian products. More specifically, such a facility should emphasize the development of integrated system of quality control, grading, selecting, packing and labelling as well as storage facilities. In this connection, the initiative of UNCTAD and the UNCTAD/GATT International Trade Centre (ITC) project document submitted to UNDP for the establishment of an export promotion and marketing centre was welcomed. The proposed centre was envisaged to embody all the activities mentioned in connection with the export of Palestinian products. UNDP was urged to expedite the implementation of the project for the establishment of the proposed marketing centre, in order to promote effectively Palestinian exports and enable Palestinian producers and exporters to take advantage of the concessions made to them by various trading partners, especially the European Community.

(b) The occupied Palestinian territory's trade with the Arab hinterland and beyond had become the weakest link in its external trade. This had further deteriorated since the 1990/91 crisis in the Middle East region. Efforts were needed to revive historical trading relations with the traditional markets that had once constituted vital trading partners. To that effect, it was suggested that Palestinian trading institutions should initiate, through the aegis of the League of Arab States and its specialized agencies, discussions with the countries concerned, with a view to identifying Palestinian "exportables" and facilitating the flow of exports to Arab and Middle East markets.

(c) There was a pressing need to improve the existing transport infrastructure, including cold storage facilities. Palestinian municipalities could assist by furnishing the necessary infrastructure and helping to build up an efficient transport system, thus easing the movement of goods.

(d) The administrative and other procedures governing external trade were in dire need of being streamlined so as to facilitate smooth and rapid flows of goods to and from the occupied Palestinian territory. As a major step, it was necessary that Israeli restrictions imposed on the external trade

of the occupied Palestinian territory be lifted, including those which restricted or penalized imports from Jordan and other Arab countries, as well as direct trade with European and other international markets. In this connection, it was suggested that relevant international and regional organizations could encourage Israel to ease all the non-tariff barriers it has imposed on the external trade of the occupied Palestinian territory since 1967.

4. Employment

182. (a) In the area of employment, the most pressing need confronting the occupied Palestinian territory was to deal with the rapidly rising unemployment. The situation had been aggravated since the return of Palestinian workers from the oil-producing countries and the reduction in the numbers employed in Israel. As a first step, it was suggested that the relevant Palestinian institutions attempt to ascertain the exact number of unemployed returnees, their qualifications and experience. This information was needed in order to concentrate on the creation of appropriate employment opportunities in various economic sectors. This data was particularly important as regards returnees from the oil-producing countries. Ascertaining their potential as reflected in the expertise they had acquired could help in turning their negative unemployed situation into a positive factor if directed towards initiating new industries and businesses. In this connection, reference was made to the recommendations of the seminar organized by the secretariat of UNESCWA on returnees from the oil-producing countries, including Palestinian workers, which could also be considered in conjunction with this recommendation for immediate action.

(b) Parallel to the efforts called for under (a) above, the relevant Palestinian institutions should develop and conduct appropriate workshops and training programmes aimed at facilitating the absorption of the unemployed in the relevant areas of the Palestinian economy. The Chambers of Commerce and Industry and Palestinian Trade Unions were considered to be appropriate mechanisms for such action.

(c) It was noted that the structure and orientation of both the formal and informal system of education were in urgent need of reform. Improving the orientation and quality of education and training in public schools and vocational institutions should also help reduce structural unemployment.

(d) More emphasis should be placed on projects with a strong employment-generation element in both the West Bank and the Gaza Strip; this included agro-based industries, housing, welfare and social services, infrastructure, industry and tourism, and other labour-intensive activities.

(e) Palestinian labour unions and employers should initiate a dialogue on the level of wages and on practices that have contributed to unemployment and related problems.

5. Financing

183. (a) As noted earlier, the Palestinian economy in the West Bank and the Gaza Strip had been deprived of adequate and appropriate banking and credit

facilities since the closure of banks and financial institutions in 1967. The pressing needs of the Palestinian economy for the effective mobilization and allocation of resources, both domestic and external, called for urgent measures. The limited action taken so far had hardly any impact on the growing needs of the Palestinian economy. Economic revival called for financial resources to be made available to all sectors on favourable terms. As a first step, the international community could encourage the Israeli occupation authorities to relax the restrictions imposed on the Palestinian banking and financial system. More local banks and financial institutions, including insurance companies, should be reopened and permitted to engage fully in financial-resource mobilization and intermediation, thus adequately serving the commercial sector.

(b) Efforts should also be initiated to found specialized credit institutions catering to the present and long-term capital needs of specific sectors, such as agriculture, industry, housing and others. Palestinian institutions active in this area should seriously follow up the UNIDO project proposing the establishment of an industrial development bank in the West Bank and the Gaza Strip.

(c) The long-term capital requirements of many sectors required a consolidated arrangement within the banking and financial system of the occupied West Bank and the Gaza Strip, which was totally lacking at present. Efforts should focus on the establishment of a development finance facility, in line with General Assembly resolution 46/201, capable of mobilizing domestic and external financial resources and allocating them to developmental projects within the frame of a well-designed programme. Such a facility could also help effectively to channel all foreign aid into the Palestinian economy. The assistance of relevant international organizations could be solicited to design such a facility and to exert their influence, as appropriate, to allow its creation, thus inducing the mobilization and allocation of domestic and external financial resources for development.

(d) Parallel to these efforts, attention should also concentrate on improving the quality of banking services to the Palestinian people. Action could be focused on improving the performance of the existing credit institutions by streamlining procedures and upgrading technical and managerial capabilities of their cadres through appropriate workshops and training programmes.

(e) To the extent possible, branches of foreign banks should also be reopened so as to complement the services of local credit institutions. This would not only facilitate and encourage the flow of external resources into the West Bank and the Gaza Strip and better mobilize domestic resources, but would also have a positive influence on the performance standard of local credit and financial institutions. It would likewise help persuade the Israeli authorities to conform to the norms of international banking rules and regulations.

(f) As an immediate measure, other forms of credit facilities should be seriously considered for meeting working capital requirements, especially for new businesses. This could include the establishment of new revolving funds in specific areas of the economy with well-developed procedures and standards

of performance to ensure their success. The assistance of outside sources could be fruitfully solicited; the experience of existing small-scale credit institutions should be carefully examined with a view to ensuring optimal design and functioning of any new projects for the mobilization of domestic savings.

6. Technical assistance

184. (a) With the gradual imposition of constraints on the Palestinian economy over the past 25 years, technical assistance needs were clearly noticeable in almost all sectors of the economy. In order effectively to use assistance, it was necessary to identify the areas (training, advisory, expertise and others) in a consolidated and comprehensive fashion, reflecting both immediate and long-term overall and sectoral requirements for development. As stated under section 5.C. above, the proposed development finance facility could serve as an appropriate focal point mechanism for defining a consolidated picture of technical assistance needs of Palestinian society.

(b) In achieving the objectives outlined above, enhancing the revival of the Palestinian economy and meeting the growing technical assistance needs of other sectors in the occupied Palestinian territory, the international community could intensify its efforts to encourage Israel to facilitate the flow of technical assistance to the Palestinian people and their institutions in the West Bank and the Gaza Strip.

B. Infrastructure and natural resources

185. These areas were classified, for the purpose of the meeting, as including transport and communications, construction and housing, water resources, public administration, public utilities and energy. The close interaction between sectors made an integrated approach desirable in order to address the pressing common needs. In addition, there were specific needs and related measures for action in each area. The common priority needs and related measures were as follows:

(a) The relevant Palestinian institutions should coordinate their efforts and take measures to establish an adequate database on all infrastructure and natural resources in the West Bank and the Gaza Strip (see also para. 180).

(b) Similarly, an adequate legal framework should be developed to regulate the exploitation and development of these areas, using, whenever appropriate, existing local authorities to provide the necessary regulatory guidelines for effective sectoral activities.

(c) Wide-ranging efforts were needed in all the above-mentioned areas to develop the human resources base, including managerial, administrative, technical and other skills, using to the extent possible local training and educational institutions, encouraging coordination between them, and soliciting the assistance of appropriate international institutions.

(d) Relevant existing local and international institutions should play a more active, better-coordinated role in developing Palestinian infrastructure and preserving Palestinian natural resources. In addition, arrangements for coordination and, where appropriate, new institutional forms were needed to improve intersectoral and sectoral efforts, and to guide planning/programming and implementation procedures and practices.

(e) Undoubtedly, the financial requirements to meet the immediate needs of Palestinian infrastructure would be considerable and diverse. Local Palestinian beneficiaries and their institutions should participate to the extent possible, with international and Arab financial sources, in mobilizing the resources required.

186. At the level of individual infrastructure, specific needs and corresponding measures for action were identified as follows.

1. Construction and housing

187. (a) There was a growing need for a comprehensive housing strategy to define and assess housing needs, identify target groups along socio-economic lines and their priorities, assess capital requirements, identify institutions involved in housing programmes and support their efforts to build and deliver dwellings promptly to needy sections and groups of Palestinian people. Such a strategy would have to be formulated in accordance with specified procedures governing housing in various areas, both urban and rural.

(b) A parallel effort was needed to develop a general physical plan at town and village levels allowing for the expansion of development areas, allocating areas for low-cost housing, including parcelling of lots, to enable all target groups to acquire land for housing at affordable prices.

(c) Existing housing institutions needed to be strengthened with a view to upgrading their capacity to plan, manage and implement housing projects and establish new ones in areas where shortages in housing delivery and related services were identified; these included housing cooperatives, financial institutions, engineering and contracting firms, etc.

(d) Similarly, the capacities of existing construction-material industries needed to be expanded and the quality of their material upgraded, thus providing adequate suitable construction materials at affordable prices. Approval by the Israeli authorities of the project proposal for the establishment of the cement factory was long overdue. UNDP and HABITAT were urged to exert their influence to obtain approval of the project.

(e) It was equally important to bridge existing shortages in the housing balance by encouraging public and cooperative housing projects in urban areas and private housing construction in rural areas.

(f) The municipalities, along with the association of engineers and architects, should take the lead in laying down a comprehensive, suitable building code as this was lacking at present. Such an initiative should be aimed at guiding all types of construction activities.

(g) Every effort should be made to protect and preserve the Palestinian architectural heritage, in particular historic sites, houses and monuments. Municipalities and other relevant institutions should prepare plans to that effect. The assistance of Palestinian and other Arab institutions could be solicited along with the technical support of such international organizations as UNESCO. In this connection, reference was made to the resolution adopted by UNESCO whereby the entire city of Jerusalem would be considered as a protected area. Nevertheless, Israeli construction work in and around the city had continued unabated. The international community should encourage the Israeli authorities to abide by their obligations under international conventions and the relevant resolutions of the United Nations system regarding preservation of the physical characteristics of the occupied territory.

2. Water and land resources

188. (a) The needs of the Palestinian people for water for household purposes as well as in various economic and social sectors called for urgent action. To this end, the meeting asserted that Israeli exploitation of Palestinian water resources should cease and available water be reallocated taking into account Palestinian water needs and rights in the occupied Palestinian territory, including the appropriate share of the water resources of the Yarmouk River and the Jordan River basin.

(b) The growing water needs of the Palestinian people called for the economic use of other sources, such as rainfall, by constructing cisterns and reservoirs and water distribution conduits in all areas lacking these facilities for adequate water conservation and supply. At the same time, efforts should be made to upgrade and rehabilitate the existing water distribution network.

(c) Efforts should be mobilized to establish water-treatment facilities for the purification and treatment of waste water and its use in agriculture, industry and other areas.

(d) Existing research facilities in universities and scientific centres should be strengthened to include in their programmes water-monitoring and testing activities, thus contributing to safeguarding the quality of water for various uses and combating pollution of sources of water supply.

(e) In the light of the pressures imposed by Israeli settlement activities in the occupied Palestinian territory upon Palestinian natural resources, especially land and water, and upon economic, demographic and social development, a number of immediate measures were considered:

(i) Halt to all Israeli settlement activities, including expropriation of Palestinian land, in accordance with relevant international resolutions;

(ii) Halt to organized Jewish immigration into the occupied territory, which undermined the distribution of resources among the population of the area in favour of Israel and disrupted the demographic balance in the region as a whole;

(iii) Encourage and support Palestinian efforts to obtain land registration and ownership deeds, to resort to legal channels for land restitution, land reclamation and cultivation and rendering unoccupied buildings habitable, particularly in areas threatened by settlement activities;

(iv) Explore new ways and means of applying international laws and resolutions regarding the legal status of Israeli settlements in the occupied territory;

(v) Intensify and coordinate efforts by relevant Palestinian and international information and research centres concerned with monitoring and reporting on Israeli settlement activities in the occupied territory;

(vi) Refrain from providing any financial support which may be used for Israeli settlement activities in the occupied territory.

(f) Environmental problems associated with natural resources exploitation, development of infrastructure and expansion of activities in various economic and social sectors were a subject of growing concern. Some of these problems had been indirectly examined within the context of the intersectoral project, but no single study had focused on all of the complex issues involved, such as land degradation, depletion and degradation of water supplies and the marine environment, the impact of inadequately monitored pesticide use in agriculture, deforestation and desertification, industrial, toxic and nuclear pollution, as well as sewage and solid waste disposal (the latter two had also been mentioned under public utilities). While specific areas for action to improve the environmental situation had not been identified, the urgent need for appropriate measures in each area was evident and called for further in-depth investigations. 8/

3. Transport and communications

189. (a) There was an urgent need for the rehabilitation and maintenance of existing transport and communications networks. An indigenous Palestinian council should be established to deal systematically with these and other aspects of transport and communications networks in the West Bank and the Gaza Strip. Such a council should be entrusted to carry out, inter alia, special maintenance work (including paving existing dirt access roads), extension of services to remote areas (especially new access roads), planning and programming to meet future needs, developing adequate manpower (managerial, technical and manual) and encouraging the introduction of local concepts of physical control and supervision by providing, inter alia, traffic control devices, road signs and other means of regulating circulation. To the extent possible, the existing networks should be increasingly placed under Palestinian control and management.

(b) Coordination arrangements were required between all public transport companies operating in the territory. It was also necessary to establish new companies and open new routes.

(c) There should be an increasing resort to audiovisual means of transmitting information to the Palestinian people in all parts of the West Bank and the Gaza Strip. In this connection, the Palestinian people should be allowed to establish and operate their own radio and television facilities and programmes, especially for educational and "re-training" purposes, within the frame established for the preparation and dissemination of public information.

(d) The existing telecommunications facilities and services (telephone, telex, facsimile and postal services) were in need of improvement and expansion to meet Palestinian requirements in all parts of the West Bank and the Gaza Strip. Telecommunication exchanges were needed in major population centres with a progressive re-orientation away from connections to Israeli exchanges.

(e) The seaport in the Gaza Strip had been awaiting development for many years in order better to serve the Palestinian economy. Urgent action should be taken by the Israeli authorities to proceed with the implementation of the project proposal aimed at developing the Gaza seaport for both commercial and fishing purposes. This would necessitate linking the present fishing port facilities with the facilities needed for commercial purposes.

(f) There was an increasing need to improve transport links between the West Bank, the Gaza Strip and the rest of the world. Measures were needed to establish direct air-transport links not only between the West Bank and the Gaza Strip but also between the territory and the rest of the world. Similarly, road transport links and services between the West Bank and the Gaza Strip required improvement; appropriate means for achieving this goal should be investigated.

4. Public utilities

190. (a) Water resources management was in urgent need of improvement at all levels in order to ensure uninterrupted adequate water supply and prevent losses. In this connection, appropriate repair and maintenance programmes had to be designed and efficiently executed including the replacement of deteriorated pipes and faulty meters as well as the construction of water tanks and other facilities.

(b) Many rural areas remained outside the water supply system and as such their daily household and other needs were not met. Their existing sources of water were inadequate and unsafe, thus putting health and socio-economic activity at risk. The municipalities also needed to develop projects for extending the coverage of the present supply system enabling the connection of rural areas to the existing water utility services.

(c) Increasing loss of water through faulty pipes and other factors had adversely affected costs and prices of water. A thorough examination was urgently needed to solve these and other issues such as the pricing policy of water, with a view to establishing a reliable efficient system for water distribution, with realistic costs and pricing reflecting both supply and demand considerations.

(d) Existing facilities for maintaining water quality were in need of improvement to ensure adequate and reliable service. Scientific institutions and centres could help with this. Where possible, additional facilities should be created such as specific laboratories with programmes of activities to monitor and treat water as appropriate, thus ensuring acceptable water quality for all uses.

(e) Electricity was another public utility in a similar situation. Interruptions of supply, many areas not served, increasing loss through faulty facilities, and pricing policies which did not reflect the realities concerning supply and demand all detracted from this vital utility. Urgent measures had to be taken by the institutions responsible to remedy these shortcomings. Specific study should be made of the various renewable sources of energy to conserve oil and gas and to avert deforestation. Sun and wind energy sources should be fully explored as well as bio-gas energy in various parts of the occupied territory.

(f) Both urban and rural areas suffered from inadequate sewage and refuse treatment and disposal facilities. The expansion of wastewater collection services was needed to cover all urban areas and to bring such services to large rural areas. Similarly, wastewater laboratories, and sewage treatment facilities should be constructed to accommodate the increasing demand. One of the pressing tasks of municipalities, under the present circumstances, was to promote organized refuse collection activities, establish stations and bulk-reduction facilities in urban areas, provide proper refuse disposal landfill sites and treatment plants and relocate existing landfills away from residential areas. Municipalities could also provide technical control facilities to handle solid waste classification, re-use programmes and incineration control. On the whole, these and other activities should be envisaged by the municipalities within the context of a major drive to improve environmental conditions and minimize acts leading to a gradual and systematic degradation of the environment.

(g) At both urban and rural areas, there was an urgent need to provide adequate slaughterhouse facilities, in order to regulate and organize slaughtering practices. In addition, municipalities were urged to modernize existing slaughterhouses by introducing appropriate procedures and equipment including refrigeration as well as to initiate poultry slaughterhouses. Similarly, the municipalities were urged to study waste treatment in slaughterhouses and the use of by-products.

(h) The promotion and expansion of domestic trade necessitated providing traders with appropriate physical facilities in both urban and rural areas. Municipalities should envisage a detailed programme of establishing wholesale and retail municipal markets. Such markets should be adequately provided with modern equipment for loading/unloading, refrigeration, storage and other facilities to cater to the needs of traders and accommodate expansion.

(i) Public safety services were inadequate in urban centres and virtually non-existent in most rural areas. The existing public safety department should be expanded and provided with necessary modern equipment, including fire-fighting and emergency service vehicles and rescue equipment.

At the local level, similar facilities should be established in small towns and large villages to meet the needs of local communities. Parallel to these efforts, appropriate programmes should be devised and conducted in order to promote awareness at all levels, thus enabling the public to contribute to the implementation of public safety measures.

(j) In the three areas of (i) water distribution, (ii) electricity and energy supply, and (iii) sewerage and waste collection, Palestinian councils serving all of the territory of the West Bank and the Gaza Strip were deemed to be a major requirement. Such specialized councils should prepare plans for the preservation of water resources and exploration of new ones, a master plan for electricity and energy production and conservation, including options for linkages with neighbouring countries, and a master environmental plan to help coordinate local and other environmental policies and practices.

5. Public administration (executive branch)

191. (a) The public administration system of the West Bank and the Gaza Strip, which had been systematically dismantled, was in dire need of action aimed at improving its performance at all levels, i.e., local government, involving municipalities and village councils, and central administration. At the grass-roots level, the numerous organizations that had emerged in recent years were equally in need of assistance to enable them to meet their objectives. Efforts should be made to enhance the adequacy and effectiveness of the administrative system at all levels, adapt public administration to the real needs of the local population, increase coordination among the units of local government and establish the basis for an adequate and effective public administration at the central level.

(b) At the local level, efforts should be intensified to modernize the revenue system (reform of its structure and collection process) with a view to enhancing resource mobilization of municipalities and increasing their capabilities to provide adequate services to the population. Appropriate arrangements and criteria should be established whereby resources could be equitably distributed between different levels of local government.

(c) In order to streamline procedures and improve the performance of local authorities, the mayors should be urged and assisted to delegate tasks and codify administrative and financial procedures and help delegate authority to the chiefs of departments in local councils and establish an effective system of audit and accountability. This should also be accompanied by measures aimed at establishing closer coordination between municipalities and local councils.

(d) Parallel to the above measures, every effort should be made to improve the performance of employees at various levels of local government. Appropriate training programmes should be designed and conducted with the technical support and cooperation of universities and other institutions and centres of higher learning. This should also upgrade the capabilities of employees, thus contributing to and improving the process of decision-making at various levels.

(e) In order to deal systematically with the growing needs of the public administration of the West Bank and the Gaza Strip and to provide a central focal point for developing the capabilities of potential public servants, a full-fledged training programme in public administration should be designed and anchored at one of the universities in the West Bank and the Gaza Strip.

(f) At both central and local levels, efforts should be made to improve personnel administration procedures, concentrating on recruitment, promotion, job classification and description, performance evaluation and other tasks relevant to rendering the system efficient. As a first step, it was necessary to form an advisory civil service body to advise central, local and other levels of government on matters related to public personnel administration.

(g) As for grass-roots organizations, it was necessary to extend assistance to them in all aspects of their operation. Emphasis should be placed on improving their administrative apparatus. To the extent possible, their financial resource base should be strengthened in order to enable them to serve adequately and effectively their communities. Every effort should be made to encourage these organizations to cooperate with each other and to pool their limited available resources for the common benefit of all. The international community could extend assistance to these organizations regarding their most pressing needs.

C. Human resources and social services

192. As regards social aspects of development with a direct impact on economic activities and/or those affected by developments in the economy, the participants identified pressing needs and related measures for immediate action as follows.

1. Population and demographic situation

193. (a) The returnee population had added another dimension to the demographic situation in the West Bank and the Gaza Strip. In order to reintegrate this category into the population there, a gender-sensitivity analysis of the returnees should be carried out. This was needed in order to determine migration projections under different circumstances and define migrants' profiles according to such features as age, gender, education, marital status, cause of migration and others. This could constitute part of the crucial tasks to be entrusted to the Palestinian Chambers of Commerce and Industry and the labour unions (as specified above in para. 182).

(b) As noted under section A.2. (para. 180) above, an adequate understanding of population and other social issues was constrained by a lack of information. The relevant existing database facilities dealing with population and other subjects could help meet immediate needs in this regard. Long-term database requirements on population could be met within the frame of a central database facility for all economic and social sectors/areas.

(c) Like data on returnee unemployment, data on health should also be researched and compiled as an immediate measure to ascertain demographic dynamics.

(d) Appropriate training programmes should be prepared with the assistance of relevant United Nations agencies, including UNFPA, ESCWA, ILO and others to upgrade the technical skills and capabilities of the existing Palestinian institutions and activities dealing with population and demographics.

2. Manpower

194. (a) The existing labour force largely lacked specific skills to meet the technical requirements of jobs at lower levels. This involved both men and women. The need for skills in various areas was likely to increase in line with efforts to improve the economic and social situation of the Palestinian people. It was necessary to assess more fully the extent and nature of training provided by vocational training centres and to compare it against the immediate needs of workers. The training programmes of existing vocational training centres and community colleges could then be strengthened accordingly. More emphasis should be placed on developing programmes to ensure the absorption of women into technical and vocational areas. The assistance of regional and international organizations should be solicited.

(b) The programmes of existing vocational training centres should equally be strengthened to meet the needs for middle-level technicians in various fields.

(c) Immediate employment-generation projects should be identified to absorb some of the growing number of unemployed workers. In addition to housing and other labour-intensive work opportunities, the public sector could fruitfully engage workers in a number of public works projects. The municipalities could play an important role in this respect.

3. Women and development

195. (a) Policies and practices should be reoriented to prevent discrimination against women in all areas of work and activity which had traditionally appealed to men.

(b) Efforts should be made to increase the participation of women in economic activities, including the management of economic enterprises and to coordinate these efforts with existing women-oriented economic and social development activities.

(c) Women should be encouraged to acquire skills also in areas other than those occupations traditionally reserved for women, such as secretarial, teaching and other jobs.

(d) As gender-sensitive statistics were lacking in various areas, Palestinian research institutions and universities should direct resources towards producing such statistics with a view to integrating the female population alongside the male population into all socio-economic areas.

(e) Develop and implement special public health measures along with education programmes in order to address women's health problems.

(f) Increase the rendering of social welfare services through relevant institutions in order to release women from such commitments at family level, by establishing more kindergartens, nurseries and homes for the aged.

(g) Schools and parents need to cooperate increasingly in developing ways and measures of reducing drop-out rates in girls schools.

(h) The international agencies involved in promoting development in the occupied territory should incorporate gender-analysis in both their policy formulation as well as their project design and implementation. In particular, they should consider whether more emphasis at the policy level should be put on activities targeted to specific underprivileged groups which often include women, particularly those living in rural areas.

(i) Moreover, because of the lack of a well-established Palestinian institutional mechanism that would address women's concerns, United Nations system organizations could differentiate their activities in favour of women at the grass-roots level from their traditional technical cooperation activities.

4. Public health services 9/

196. A balanced approach to action was called for in the health sector. It should take into consideration primary health services including preventive and sanitary needs as well as secondary and tertiary health services. It was strongly recommended to concentrate efforts on programme development, emphasizing quality rather than quantity of services, upgrading of existing services rather than creating new ones, supporting operating costs and ensuring the availability of resources prior to considering the purchase of equipment. Imbalances in the distribution of services should be redressed by focusing on priority and disadvantaged areas, most notably the areas of Jenin/Tulkarem/Qalqilia, Hebron and the Gaza Strip. Three main technical areas could be identified for priority action: general infrastructure/sanitary needs with impacts on health; human resources development; and health services.

197. (a) **Infrastructure/sanitation**. Assistance in this area could have major benefits for health conditions and in rendering health services more effective for dealing with health problems. As noted earlier, sewage systems in all localities, especially in villages, refugee camps and in the Gaza Strip were a clear priority for action. Likewise, piped and potable water supplies should be installed where the need was most urgent. Refuse disposal, canalization systems for waste water as well as treatment facilities were all areas calling for priority action.

(b) **Human resources development**. Different types of training programmes were essential ranging from in-service training, upgrading to continuing education. Specialists in various fields were needed for the further development of the system. It was crucial to develop the management and administrative skills of staff at all levels of health services in particular.

(c) **Health services**. In order to plan concrete corrective or developmental programmes for the different areas of the public health sector, more in-depth information and investigation should be undertaken. A series of studies could specifically be geared towards examining how the different strands of the health-care system functioned, focusing on the quality of services in order eventually to assist in improving health care.

198. In the meantime, assistance was generally needed for improving existing services before embarking on the initiation of new ones, with exceptions, such as the development of non-existent or rare specialities that were totally lacking. This approach entailed encouraging proper planning for, and management of, services, the initiation of specific programmes such as maternal and child health, diabetic and hypertension clinics, rational use of medication, the development of adjunct clinical laboratory services, etc. As stated above, budgetary continuity would be essential for assuring service continuity. This was therefore a main element in the fulfilment of immediate needs.

5. Education

199. (a) All levels of schools were in dire need of better physical facilities. This was a particularly pressing problem at the preparatory and elementary levels in the Gaza Strip. Increased external assistance was needed in order to build these facilities.

(b) Parallel to the physical structures, there was an equally urgent need for additional and improved laboratory materials, libraries, textbooks, computers and other equipment to raise the standard and quality of education and render teaching more effective.

(c) Another area where external assistance was urgently needed was to develop appropriate programmes aimed at upgrading the qualifications of teachers at various levels, under both formal and informal systems of education involving schools, colleges and vocational training centres. A comprehensive programme for the training of trainers should be developed by Palestinian education institutions with external assistance.

(d) In order to induce teachers/trainers to remain in their jobs, especially in public schools and training centres, it was necessary to introduce material incentives by raising salaries.

(e) In order to help the students regarding their future education and work prospects, student counselling services should be made available in all public and private schools, especially in the light of the decline in discipline and the increasing social problems caused by practically no schooling since 1987.

(f) Uninterrupted performance of schools and universities was necessary so that these institutions could serve the Palestinian society in a normal fashion. The international community could further encourage the Israeli authorities to cease harassment, closure and censorship of these institutions.

V. PROSPECTS FOR SUSTAINED DEVELOPMENT IN THE WEST BANK AND THE GAZA STRIP

200. The draft study prepared by the UNCTAD secretariat on a quantitative framework in which to examine prospects for sustained development of the Palestinian economy in the West Bank and the Gaza Strip served as the basis for discussions on this topic. 10/ The salient features of the study were highlighted. The economic performance of the West Bank and the Gaza Strip during the period 1970 to 1990 was assessed; the study offered a quantitative framework for analysing alternative scenarios for the future development of the economy of the occupied territory, taking as a basis the historical record and reasonable assumptions regarding alternative trends and policies. Various scenarios had been elaborated to provide an order of magnitude for assessing the development problems facing the Palestinian economy and the potential degrees of freedom possible in which to solve them.

A. Summary of the quantitative framework

1. The different constraints on the choice of technique

201. The choice of technique used in designing and structuring the quantitative framework had been influenced by the following factors:

(a) the economy of the occupied territory was unsophisticated and had been subjected to severe shocks of erosive forces;

(b) the statistical limitations of the historical period prevented the structuring of a detailed approach without compromising its specificity and the validity of subsequent analysis; and,

(c) the resources available to devote to the exercise were limited.

202. Under these circumstances, an elaborate approach was deemed inappropriate and of limited analytical usefulness. Thus, it was decided to adopt an "accounting framework", recursive in nature. Its scope would be strictly limited by the availability of reliable time series of statistics. It constituted primarily a parametric exercise aimed at ascertaining the internal consistencies among main aggregates. Gaps in resources would be investigated - with particular emphasis on savings-investment, export-import and labour-employment gaps.

2. Structure of the framework

203. It was pointed out that medium- and long-term economic analysis was fundamentally different from that of forecasting economic activity over the short term. Accurate forecasting required paying careful attention to such variables as the rate of growth of the money supply, interest and exchange rate movements, the behaviour of wage rates, etc. For assessing long-term economic prospects, demographic considerations formed the most appropriate starting point for any serious scenario analysis. In keeping with this principle, the framework was organized in three recursive blocks - in order of solution - demographic, labour force and macroeconomic. These were briefly highlighted as follows:

(a) The demographic block. In spite of being expressed as a single equation in the framework, this block was the most detailed and comprehensive. While the statistics underlying the framework were less than wholly reliable, the nature of this form of analysis rendered the results quite robust. Nevertheless, migration remained the most intractable variable to deal with in any formal sense as it was subject to many unpredictable forces.

(b) The labour-force block. This block was fairly straightforward, the labour force being primarily a function of economic participation rates by age and sex, taking into account the age-sex structure of the population as determined in the demographic block. While details by economic sector for both labour-force size and productivity were sought, the scenarios were mostly developed on the basis of derived assumptions regarding total labour-force productivity; hence this aspect of the framework was not fully exploited.

(c) The macroeconomic block. This block consisted of a simple supply system driven by productivity and the labour force, on the one hand, and a straightforward set of demand equations governing the main economic aggregates on the other. The gap between the two represented excess capacity and unemployment. It was noted, however, that exports were treated as exogenous in the first instance, determined by historical trend. The important constraint that this placed on the subsequent analysis needed to be borne in mind.

3. The baseline scenario and variant

204. The baseline scenario constituted a "minimum intervention" scenario addressing the question of what would be the consequences of a continuation into the future of prevailing objective trends and behavioural patterns. Among the assumptions, two should be highlighted as being of considerable importance. First, it was assumed that the outflow of migrants which had characterized the historical picture of the territory would persist. Secondly, it was assumed that the impact of the disruptions of the past several years would continue to be felt. The main scenario results showed that: (i) labour-force growth deviated from population growth; (ii) economic dependency prevailed (reflected in the ratio of GDP to GNP); and, (iii) unemployment would have reached 50 per cent by the end of the period projected. The scenario depicted a grossly unstable socio-economic environment.

205. The results were not only unacceptable but they were unrealistic. While the baseline scenario was faithful to the spirit of minimum intervention, it was not a reasonable basis for comparing alternative, policy-oriented scenarios. It was not reasonable to suppose that, given the regional environment likely in the foreseeable future, migration outflows would continue as in the past. However, it was noted that alternative scenarios were realistically feasible only if the circumstances affecting the Palestinian territory changed. As a minimum, under the baseline variant scenario it was supposed that the impact of the disruptions of recent years might gradually disappear.

206. However, the modifications introduced into the framework resulted in labour force-growth rising much higher, while the performance of the economy

also significantly improved. Unemployment declined, in spite of labour-force growth of as much as 4.5 per cent per annum owing to a cessation of emigration. Nevertheless, with unemployment reaching almost 40 per cent by the end of the projection period, this variant was equally unattractive. Nor could it be considered as stable from an economic, social or political viewpoint. The framework was then applied to an identification of potential degrees of freedom which might be exploited to improve the development prospects of the territory.

4. Alternative scenarios

207. A set of five alternative scenarios together with subvariants were develcped, representing a progression from the inviability of the baseline to more viable or "stable" scenarios, as well as a progression from less feasible to more feasible scenarios from the point of view of policy.

(a) Alternative I. Constrained unemployment with net external transfers as the instrument

208 Under this scenario, a target rate of unemployment was fixed and external transfers adjusted upwards to meet that target. Very large amounts of net transfers would be required. As such, while the scenario worked from a technical point of view, it was at the cost of several billions of dollars in additional external support. Furthermore, at the end of the period, the economic structure remained unchanged, if not less viable and more dependent on external support.

(b) Alternative II. Intensified trade-oriented investment programme

209. Under this scenario, additional investment was assumed, with the increment of production allocated in different proportions to export promotion and import substitution. This approach was effective in addressing the problem of the structural transformation of the economy, reducing external dependence and alleviating unemployment by the end of the projection period. However, medium-term costs associated with unemployment were high. Likewise it was difficult to conceive of reasonable means of supporting additional investment.

(c) Alternative III. Intensified trade-oriented investment with substantially increased external support

210. This scenario represented a combination of scenarios I and II. Employment shortcomings of the previous scenarios were addressed while simultaneously the structural transformation of the economy was pursued. The dependency structure of the economy was reduced and over the longer term the need for external support declined. This was viewed as an attractive outcome. However, the results called into question one of the basic assumptions underlying these three alternatives, namely that of zero net migration.

(d) Alternatives IV and V. Intensified trade-oriented investment at higher levels, external support and net inflow in migration

211. These alternatives essentially retained the features of II and III while at the same time accommodating an element of return immigration into the territory; hence higher population and labour-force growth. Under these alternatives a more intensified programme of domestic measures and external support was required in order to achieve employment levels comparable with variants II and III. Moreover, the role of export growth was critical to the success of these two scenarios. Implementing export promotion policies also required a very supportive external environment, both regional and international. These factors should be kept in mind when moving into the more detailed sectoral analysis. A combination of vigorous domestic policies aimed at fundamental structural transformation of the economy appeared to be needed coupled with substantial external support. Neither domestic policies by themselves nor external support alone could bring about a truly viable situation in the long term.

212. In short, the scenario analysis exercise merely compared alternative pictures of possible future prospects. To translate these scenarios into feasible operational guidelines would mean elaborate and objective analysis at the most detailed sectoral level. The scenarios were conceived as providing a general frame of reference for the work of experts regarding the future of the Palestinian economy at the sectoral/subsectoral level.

B. Discussion

213. In the discussion that ensued, the participants raised a number of questions largely seeking explanation or clarification on certain technical aspects of the framework. These included specification of the consumption, investment and import functions, population statistics and the relevance of statistics on the performance of the Palestinian economy in the historical period, the capital/labour ratio, the number of workers in Israel during the projection period, a definition of net factor income and transfers, and the nature and sources of external capital inflows.

214. Clarification was given on the above points. For the sake of brevity, it was agreed to keep the quantitative framework as concise as possible. Many issues of a definitional, technical and operational nature were related to the design, structure and functioning of the framework. The individual scenarios were systematically treated following the lines of the structure of the study itself, then presented in a separate document as the "technical supplement" to the quantitative framework. (For more information on questions raised and other aspects of the framework, reference was made to the technical supplement).

215. The relevance of the framework and its usefulness as a technical guide in the preparation of parts two and three of the sectoral studies were then considered. In this connection, it was agreed that, given the constraints surrounding its structure, the framework should be viewed as simply a parametric exercise statistically presenting long-term trends under different scenarios. It was obviously not meant for use in designing short-term policy packages, stabilization policies or even economic growth policies. It could

be useful in illustrating some broad approaches to the serious and challenging problems facing the Palestinian economy. Some of the considerations might encourage researchers and policy-makers to begin making choices regarding major indicators. For example, if the overriding policy intention was to increase employment, the end-result might be an undesirably high growth of imports. The framework did focus attention on choices among alternatives.

216. It was suggested that the question of feedback was worth investigating, in view of the dynamic character of the framework, at least for some of the equations. Similarly, to the extent possible, further differentiation and disaggregation should be attempted with the more interesting scenarios, i.e., scenarios IV and V, and the more interesting sectors. It also was noted that the framework could be further elaborated to reflect recent developments in the political environment and future possibilities (such as continuation of the status quo, possible limited autonomy or sovereignty), each carrying different implications for the Palestinian economy. External dimensions involving possible economic links with neighbouring countries (such as Jordan and Israel) could also be borne in mind in elaborating the framework. Similarly, with regard to return migration, other data could be used in the light of emerging realities of the political environment and the capacity of the fragile economy of the West Bank and the Gaza Strip. This element should simply reflect the order of magnitude and its implications for the economy in terms of resource needs and mobilization. It was especially important in order to estimate the massive foreign aid required.

217. The projection period could also reflect the duration of possible options emerging from the political environment. Accordingly, a period of at least three years could be envisaged under any interim arrangement, followed by five or seven years under a sovereignty option. If such possible political considerations were linked with the basic economic assumptions underlying the most interesting scenarios (IV and V), attention could then be focused on policy issues. However, this goal should not detract from the usefulness of the present formulation of scenarios IV and V.

218. It was felt that much of the information and analysis derived from the specific field studies should be used for the next stage: the sectoral studies. Information could flow both ways. The framework, while providing the technical basis for developing the sectoral studies, should itself be further developed in light of feedback from the sectoral studies themselves. This approach could help develop policy packages associated with the different scenarios which should at this stage be kept to a minimum. It should also broaden the analytical basis of the framework for policy consideration, especially under the two more viable scenarios. This would be the subject of a third part of the inter-sectoral project and quantitative framework dealing with the policy mix.

C. Conclusions

219. Following a thorough discussion of the above issues, it was agreed that in preparing parts two and three of the sectoral studies, the experts should consult the following scenarios from the quantitative framework:

(a) **Baseline scenario.** This was considered undesirable and unacceptable as it depicted a long-term situation where economic conditions would continue to reflect recent distortions and deterioration. As such, it was nevertheless useful in so far as it illustrated the undesirability of the status quo and identified the most pressing areas for macro-economic policy intervention.

(b) **Alternative scenario III.** Technically more applicable, it included a recovery (transitional) period of three to five years. Under this scenario, it was assumed that after the initial recovery period, the Palestinian people would exercise greater control over their natural resources and economic decision-making. Constraints on economic activities were expected to be lifted. More substantial external aid would be made available to the Palestinian economy in support of essential adjustment efforts.

(c) **Alternative scenario V.** The assumption under this one was that full control over economic and social resources would be gained after an initial recovery period. It also assumed a certain level of return migration. This scenario was considered optimal in that it best approximated the aspirations of the Palestinian people. In practical terms, it also assumed a three to five year recovery period as a suitable transition prior to sovereignty.

VI. ELABORATION OF OUTLINES FOR PARTS TWO AND THREE OF SECTORAL STUDIES

220. In light of the assessment of the present economic and social situation and the examination of the quantitative framework, including the selection of scenarios relevant to work on future prospects, the outlines for parts two and three of the sectoral studies were elaborated at the level of the working groups. The final agreed versions of these outlines were submitted for adoption by the final plenary on 22 May 1992. These were intended to be followed up by the experts concerned with the preparation of parts two and three of their respective studies.

VII. ADOPTION OF TEXTS

221. The draft texts of the three working groups on agenda items 3 and 4 were also submitted to the plenary for discussion, adoption and subsequent consolidation into the present report.

VIII. CLOSURE OF THE SESSION

222. At the final plenary meeting on 22 May 1992, participants thanked the UNCTAD secretariat and the Special Economic Unit for the efforts exerted to initiate this important project and accomplish, so far, considerable progress in its implementation. The representatives of the Arab Industrial Development and Mining Organisation (AIDMO) and the League of Arab States (LAS), whose organizations had contributed to the cost of the inter-sectoral study, commended the achievements to date and the manner in which work on the project had been carried out. Their organizations were looking forward to the successful completion of this project which would not only provide relevant and comprehensive information on the economic and social sectors of the West Bank and Gaza Strip, but would also enable them to expand their assistance to the Palestinian people, thus helping to meet the most pressing needs and to build a sound basis for the future.

223. Various Palestinian local experts expressed their gratitude for the opportunity to be associated with this project. Participation in the meeting had given them the opportunity to exchange views not only among themselves but also with international experts and with participating representatives of regional and international organizations. They pointed out that the Palestinian people faced real problems and could not be contented with only the completion of quality reports and studies. Regional and United Nations organizations would have to realize that the expectations of the Palestinian people went beyond reports and studies into operational efforts. However, modest the efforts might be, they would go a long way towards meeting long-neglected needs of the Palestinian people. The experts sincerely hoped that the findings of the sectoral studies and the inter-sectoral project as a whole would provide the basis for intensifying positive efforts in a concerted manner.

Notes

1/ For further information on the background to the project, see "Note by the Secretary-General of the United Nations on Living Conditions of the Palestinian people in the occupied Palestinian territory" (A/46/262-E/1991/95) as well as "Report of the Secretary-General of UNCTAD on Assistance to the Palestinian people" (TD/B/39(1)/4), Part II. Discussions regarding the substance of this report were held during the first half of 1993 with several of the parties concerned.

2/ See annex I for the list of participants.

3/ See annex II for a list of the specific studies prepared within the framework of the intersectoral project.

4/ The findings of the study commissioned by the UNCTAD secretariat on money and banking in the West Bank and the Gaza Strip were not available for consideration at the meeting.

5/ The findings of the study commissioned by the UNCTAD secretariat on social transformation in the West Bank and the Gaza Strip were not available for consideration at the meeting.

6/ Discussion under this topic was focused on the executive branch of public administration.

7/ The findings of the study commissioned by the UNCTAD secretariat on economic and social statistics in the West Bank and Gaza Strip were not available for consideration at the meeting.

8/ Since the convening of this meeting, the UNCTAD secretariat has prepared an in-depth study on the status of the environment in the occupied Palestinian territory. For a brief account of its findings, reference may be made to the report by the UNCTAD secretariat, presented to the Fortieth Session, First part, of the Trade and Development Board, 1993,

entitled "Developments in the economy of the occupied Palestinian territory" (TD/B/40(1)/8).

9/ These recommendations summarize the findings of the study commissioned by the UNCTAD secretariat on the public health sector. They were not available for consideration at the meeting.

10/ See "Prospects for sustained development of the Palestinian economy in the West Bank and Gaza Strip, 1990-2010: A quantitative framework" (forthcoming, 1993).

Annex I

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Annex II

LIST OF FIELD STUDIES COMMISSIONED BY THE UNCTAD SECRETARIAT WITHIN THE CONTEXT OF THE PROJECT ON PROSPECTS FOR SUSTAINED DEVELOPMENT IN THE WEST BANK AND THE GAZA STRIP

Economic sectors and issues

1. Aggregate economic performance
2. Agriculture
3. International assistance
4. Manufacturing industries
5. Merchandise trade
6. Mining and quarrying
7. Money and banking
8. Public finance
9. Services
10. Tourism and related services

Human Resources and Social Development

11. Dynamics of social change
12. Education
13. Labour and human resources
14. Population and demography
15. Public health
16. Socio-economic statistics
17. Women and development

Infrastructures and Natural Resources

18. Construction and housing
19. Energy
20. Israeli settlements
21. Public administration - executive branch
22. Public administration - legislative and judicial branch
23. Public utilities
24. Transport and communications.
25. Water resources

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